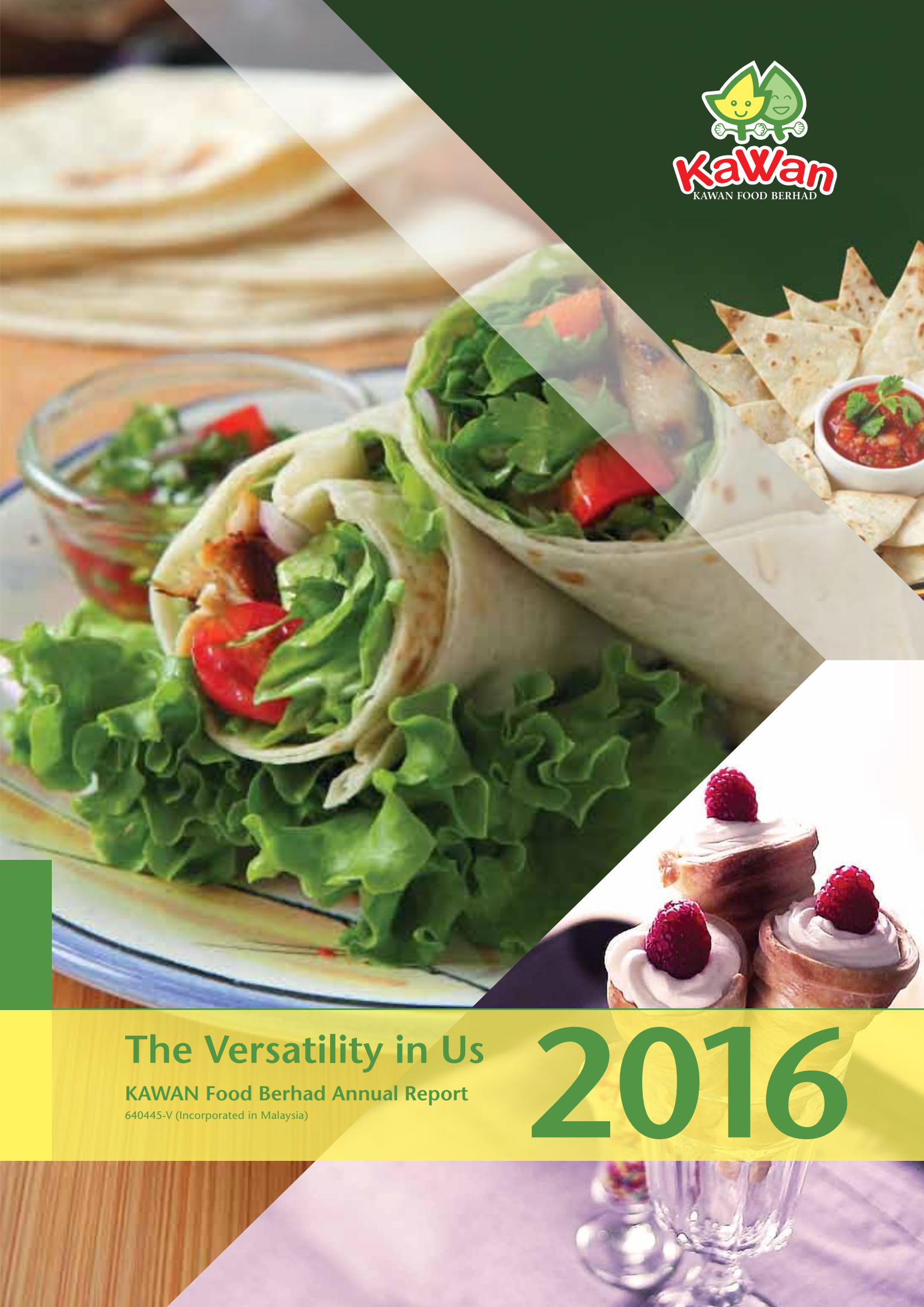

KAWAN FOOD BERHAD

The Versatility in Us

KAWAN Food Berhad Annual Report

640445-V (Incorporated in Malaysia)

2016

Creative in every way

For over 30 years, Kawan Food Berhad has been a leading company specialising in ethnic food products in the frozen food industry. In line with being handy, hearty and hygienic, we at Kawan have been exploring creative ways to bring fun, new experiences to the table.

Expanding our horizons, we have also created a new variety of products for everyone to enjoy, without compromising on taste. It is clear to us that creativity is key to retaining versatility in life.

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Corporate Information

DIRECTORS

GAN THIAM CHAI
Executive Chairman

TIMOTHY TAN HENG HAN
Managing Director

GAN THIAM HOCK
Non-Independent
Executive Director

KWAN SOK KAY
Non-Independent
Executive Director

LIM HUN SOON @ DAVID LIM
Independent
Non-Executive Director

CHEN SENG CHONG
Senior Independent
Non-Executive Director

LIM PENG @ LIM PANG TUN
Independent
Non-Executive Director

DR NIK ISMAIL BIN NIK DAUD
Independent
Non-Executive Director

NARESHCHANDRA GORDHANDAS NAGRECHA
Non-Independent
Non-Executive Director

ABDUL RAZAK BIN SHAKOR
Non-Independent
Non-Executive Director

AUDIT COMMITTEE

LIM HUN SOON @ DAVID LIM
Chairman

LIM PENG @ LIM PANG TUN
Member

CHEN SENG CHONG
Member

REMUNERATION COMMITTEE

GAN THIAM HOCK
Chairman

LIM PENG @ LIM PANG TUN
Member

CHEN SENG CHONG
Member

LIM HUN SOON @ DAVID LIM
Member

NOMINATING COMMITTEE

LIM PENG @ LIM PANG TUN
Chairman

CHEN SENG CHONG
Member

NARESHCHANDRA GORDHANDAS NAGRECHA
Member

REGISTERED OFFICE

BOARDROOM CORPORATE SERVICES (KL) SDN. BHD.
(3775-X)
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +603 7720 1188
F +603 7720 1111

SHARE REGISTRAR

SYMPHONY SHARE REGISTRARS SDN. BHD.
(378993-D)
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +603 7841 8000
F +603 7841 8008

MANAGEMENT OFFICE

Lot 20, Jalan Pengapit 15/19
40200 Shah Alam
Selangor Darul Ehsan, Malaysia
T +603 5511 8388
F +603 5511 6288
E info@kawanfood.com

SECRETARIES

TAI YIT CHAN (MAICSA 7009143)
TAI YUEN LING (LS 0008513)

AUDITORS

CHENG & CO (AF0886)
No. 8-2 & 10-2
Jalan 2/114
Kuchai Business Centre
Off Jalan Kuchai Lama
58200 Kuala Lumpur, Malaysia
T +603 7984 8988
F +603 7984 4402

PRINCIPAL BANKERS

RHB BANK BERHAD
(Company No. 6171-M)

UNITED OVERSEAS BANK (MALAYSIA) BHD
(Company No. 271809-K)

MALAYAN BANKING BERHAD
(Company No. 3813-K)

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)

STOCK EXCHANGE LISTING

MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD
Stock Short Name : KAWAN
Stock Code : 7216

WEBSITE

www.kawanfood.com

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of Kawan Food Berhad will be held at Topas Room, The Saujana Hotel, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Wednesday, 31 May 2017 at 10.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. *Note 1*

2. To approve the Directors' fees and benefits payable to the Directors of the Company of up to RM850,000 for the financial year ending 31 December 2017. *Ordinary Resolution 1*

3. To re-elect the following Directors who are retiring under Article 80 of the Articles of Association of the Company:

   (a) Mr. Timothy Tan Heng Han *Ordinary Resolution 2*

   (b) Madam Kwan Sok Kay *Ordinary Resolution 3*

   (c) Mr. Nareshchandra Gordhandas Nagrecha *Ordinary Resolution 4*

4. To re-elect the following Director who is retiring under Article 85 of the Articles of Association of the company:

   (a) Dr. Nik Ismail Bin Nik Daud *Ordinary Resolution 5*

5. To re-appoint Messrs Cheng & Co as Auditors of the Company and to authorise the Directors to fix their remuneration. *Ordinary Resolution 6*

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:

6. Authority for Mr. Chen Seng Chong to continue in office as Independent Non-Executive Director.

   "**THAT** authority be and is hereby given to Mr. Chen Seng Chong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012." *Ordinary Resolution 7*

7. Authority for Mr. Lim Peng @ Lim Pang Tun to continue in office as Independent Non-Executive Director of the Company.

   "**THAT** authority be and is hereby given to Mr. Lim Peng @ Lim Pang Tun who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012." *Ordinary Resolution 8*

8. Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with Shana Foods Limited and Rubicon Food Products Limited ("Proposed Renewal of Shareholders' Mandate")

   "**THAT** approval be and is hereby given to the Company, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with Shana Foods Limited and Rubicon Food Products Limited as stated in Section 2.4 of the Circular to Shareholders dated 28 April 2017 which are necessary for the Company's day-to-day operations subject further to the following:

   (i) the Recurrent Transactions contemplated are in the ordinary course of business and on terms which are not more favourable to related parties than those generally available to the public, and are not to the detriment of the minority shareholders;

   (ii) the approval is subject to annual renewal and shall only continue to be in force until:

   (a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting of the Company at which the Proposed Renewal of Shareholders' Mandate is approved, at which time it will lapse unless by a resolution passed at the Annual General Meeting the mandate is again renewed;

   (b) the expiration of the period within which the next Annual General Meeting of the Company after the date is required to be held pursuant to Section 340 (2) of the Companies Act, 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340 (4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier; and

(iii) the disclosure of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate in the Annual Report of the Company based on the following information:

(a) the type of Recurrent Transactions entered into; and

(b) the names of the related parties involved in each type of the Recurrent Transactions entered into and their relationship with the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this resolution, as the Directors of the Company, in their absolute discretion, deem fit." *Ordinary Resolution 9*

9. Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with K.C. Belight Food Industry (M) Sdn Bhd, Food Valley Sdn Bhd and Hot & Roll Sdn Bhd ("Proposed Renewal of Shareholders' Mandate")

"**THAT** approval be and is hereby given to the Company, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with K.C. Belight Food Industry (M) Sdn Bhd, Food Valley Sdn Bhd and Hot & Roll Sdn Bhd as stated in Section 2.4 of the Circular to Shareholders dated 28 April 2017 which are necessary for the Company's day-to-day operations subject further to the following:

(i) the Recurrent Transactions contemplated are in the ordinary course of business and on terms which are not more favourable to related parties than those generally available to the public, and are not to the detriment of the minority shareholders;

(ii) the approval is subject to annual renewal and shall only continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting of the Company at which the Proposed Renewal of Shareholders' Mandate is approved, at which time it will lapse unless by a resolution passed at the Annual General Meeting the mandate is again renewed;

(b) the expiration of the period within which the next Annual General Meeting of the Company after the date is required to be held pursuant to Section 340 (2) of the Companies Act, 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340 (4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier; and

(iii) the disclosure of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate in the Annual Report of the Company based on the following information:

(a) the type of Recurrent Transactions entered into; and

(b) the names of the related parties involved in each type of the Recurrent Transactions entered into and their relationship with the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this resolution, as the Directors of the Company, in their absolute discretion, deem fit." *Ordinary Resolution10*

10. Proposed New Shareholders' Mandate for the Additional Recurrent Related Party Transactions of a Revenue or Trading Nature with Rubicon Drinks International Pte Limited ("Proposed New Shareholders' Mandate")

"**THAT** approval be and is hereby given to the Company, to enter and give effect to the additional recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with Rubicon Drinks International Pte Limited as stated in Section 2.4 of the Circular to Shareholders dated 28 April 2017 which are necessary for the Company's day-to-day operations subject further to the following:

(i) the Recurrent Transactions contemplated are in the ordinary course of business and on terms which are not more favourable to related parties than those generally available to the public, and are not to the detriment of the minority shareholders;

(ii) the approval is subject to annual renewal and shall only continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting of the Company at which the Proposed New Shareholders' Mandate is approved, at which time it will lapse unless by a resolution passed at the Annual General Meeting the mandate is again renewed;

(b) the expiration of the period within which the next Annual General Meeting of the Company after the date is required to be held pursuant to Section 340 (2) of the Companies Act, 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340 (4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier; and

(iii) the disclosure of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed New Shareholders' Mandate in the Annual Report of the Company based on the following information:

(a) the type of Recurrent Transactions entered into; and

(b) the names of the related parties involved in each type of the Recurrent Transactions entered into and their relationship with the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this resolution, as the Directors of the Company, in their absolute discretion, deem fit."

Ordinary Resolution11

11. Proposed New Shareholders' Mandate for the Additional Recurrent Related Party Transactions of a Revenue or Trading Nature with MH Delight Sdn. Bhd. ("Proposed New Shareholders' Mandate")

"**THAT** approval be and is hereby given to the Company, to enter and give effect to the additional recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with MH Delight Sdn. Bhd. as stated in Section 2.4 of the Circular to Shareholders dated 28 April 2017 which are necessary for the Company's day-to-day operations subject further to the following:

(i) the Recurrent Transactions contemplated are in the ordinary course of business and on terms which are not more favourable to related parties than those generally available to the public, and are not to the detriment of the minority shareholders;

(ii) the approval is subject to annual renewal and shall only continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting of the Company at which the Proposed New Shareholders' Mandate is approved, at which time it will lapse unless by a resolution passed at the Annual General Meeting the mandate is again renewed;

(b) the expiration of the period within which the next Annual General Meeting of the Company after the date is required to be held pursuant to Section 340 (2) of the Companies Act, 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340 (4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier; and

(iii) the disclosure of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed New Shareholders' Mandate in the Annual Report of the Company based on the following information:

(a) the type of Recurrent Transactions entered into; and

(b) the names of the related parties involved in each type of the Recurrent Transactions entered into and their relationship with the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this resolution, as the Directors of the Company, in their absolute discretion, deem fit." *Ordinary Resolution12*

12. Authority to Issue Shares Pursuant to Section 76 of the Companies Act 2016

"**THAT** pursuant to Section 76 of the Companies Act 2016, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and from time to time until the conclusion of the next Annual General Meeting of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at the time of issue, subject to the Constitution of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue." *Ordinary Resolution13*

13. To transact any other business, of which due notice shall have been given in accordance with the Constitution of the Company and the Companies Act 2016.

BY ORDER OF THE BOARD
TAI YIT CHAN (MAICSA 7009143)
TAI YUEN LING (LS 0008513)
Company Secretaries
28 April 2017

Notes:-

1. *A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*
2. *A member shall be entitled to appoint more than one (1) proxy and shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.*
3. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*
4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Share Registrar of the Company, Symphony Share Registrars Sdn. Bhd. at Level 6, Symphony House Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.*
6. *Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of any general meeting will be put to vote by poll.*
7. *If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.*
8. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 24 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

Explanatory Note:

1. **To receive the Audited Financial Statements**
*Agenda item no. 1 is meant for discussion only as the provision of Section 340 of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting.***

2. **Authority for Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun to continue in office as Independent Non-Executive Directors**
In respect of Ordinary Resolutions 7 and 8, the Nominating Committee has at the annual assessment assessed the independence of Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun who had served more than 9 years. Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun have remained objective and independent in expressing their views and in participating in deliberation and decision making of the Board and Board Committees. Their length of services on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company. In addition, Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun had individually confirmed and declared in writing that they are Independent Directors and they have satisfied all the criteria of an Independent Director set out in paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board has therefore recommended that the approval of the shareholders be sought to re-appoint Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun as Independent Non-Executive Directors.

3. **Proposed Renewal of Shareholders' Mandate**
The Ordinary Resolutions 9 and 10 proposed, if passed, will empower the Directors from the date of the Thirteenth Annual General Meeting, to deal with the related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations. These recurrent related party transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders. This authority unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company and subject always to provision (ii) of the resolution. The details of the recurrent related party transactions are set out in the Circular to the Shareholders dated 28 April 2017, which is dispatched together with this Annual Report.

4. **Proposed New Shareholders' Mandate**
The Ordinary Resolutions 11 and 12 proposed, if passed, will empower the Directors from the date of the Thirteenth Annual General Meeting, to deal with the related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations. These recurrent related party transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders. This authority unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company and subject always to provision (ii) of the resolution. The details of the recurrent related party transactions are set out in the Circular to the Shareholders dated 28 April 2017, which is dispatched together with this Annual Report.

5. **Proposed Renewal of Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares**
The Company had, during its Twelfth Annual General Meeting held on 31 May 2016, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to the Section 132D of the Companies Act, 1965. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

Ordinary Resolution 13 proposed under item 12 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the total number of issued shares (excluding treasury shares, if any) of the Company for such purposes as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purposes of funding investment project(s), working capital and/or acquisition.

Personal data privacy:

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the **"Purposes"**), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

Executive Chairman's Statement

«On behalf of the Board Of Directors, I take great pleasure to present the Annual Report and Audited Financial Statements of Kawan Food Berhad for financial year ended 31 December 2016.»

Our Company turned in a sound performance in 2016, with commendable sales and volume growth in most segments. Sales revenue at RM186.9 million was 13% higher than 2015. Profit after tax grew marginally from RM32 million to RM33 million in 2016. These results were attained despite the tough macro-environment conditions that we faced in Malaysia and in the other markets that we operated in or that we sold our products to. The Malaysian market which contributed 38% of sales revenue in 2016 faced its first full year of post GST effects which resulted in soft consumer demand due to inflationary pressures. The export business remain the highest contributor to our business and 2016 was a very good year with some great achievements.

The existing production facilities in Malaysia especially for the key products has reached maximum capacity. The factory in Nantong, China which still has ample capacity to expand has played an increasingly important role to fulfil our export orders on a timely basis.

The domestic business in China however remain a huge challenge as sales remain flat amidst intense price competition and advertising spend from local food companies. Operating expenses continue to increase and the high cost operating environment overall in China has also resulted in increases in cost of raw materials.

Kudos to our whole Management team from all departments who introduced many new initiatives and programs to drive the business. I recognised that without my team of dedicated, diligent and hardworking colleagues, I would not have reported our performance as such.

Having said that, I can assure you that we will not rest on our laurels but instead we will work even harder to deliver continued improvements in our overall performance in general while addressing weaknesses and taking up opportunities to grow the business further.

Our Sports and Social Club frequently organises fun activities and socials in order to enhance teamwork, create a strong sense of belonging and to continuously build a harmonious environment in the work place. CSR activities are organised regularly and in 2016, we contributed food products and necessities on a monthly basis to some schools in KL. We also donated food products to several orphanages.

On a personal note, it has been a very busy year as I have been fully involved and hands-on with the construction activities, designing, equipment infrastructure and outfitting the new factory in Pulau Indah. There will be a delay in commissioning the new factory due to unforeseen circumstances but let me assure you that when it is ready, it will be a showcase and best in the industry. As our shareholders, you will be equally just as proud as we are for being part of the Kawan Food Berhad family.

My time has also been tied up as a key catalyst to the research and development team in driving new product development. With an impending increase in manufacturing space and new equipment, there will be a roll-out of new generation products. We are hopeful that from this portfolio of new products, one or more new superstar champion products will emerge similar to the emergence of paratha previously.

Many challenges lie ahead on all fronts of the business and we will have to build and strengthen our capabilities to face and overcome the hurdles head-on.

To conclude, I would like to thank the Board of Directors for their contribution and wise input in helping to steer the Company to greater heights. On behalf of the Board, I would like once again to thank the Management Team and the entire staff force for their wholehearted commitment and dedicated services. To our other stakeholder namely Distributors, Stockists, Business Partners, Suppliers and Service Providers, I would like to record our sincere appreciation and gratitude for your contribution to our growth and success. And finally to our Shareholders, I would like to thank you for your unwavering support and trust in us.

GAN THIAM CHAI
Executive Chairman

Profile of The Board of Directors

Executive Chairman's Profile

GAN THIAM CHAI
Malaysian, Male, Aged 63
Executive Chairman

Gan Thiam Chai ("T.C. Gan") was appointed to the Board on 1 June 2005 and has been the Executive Chairman since 1 March 2010.

Mr. T.C. Gan has accumulated more than 30 years of experience in the food processing industry. After leaving school in 1971, he joined Behn Meyer Industries Sdn. Bhd. as a Technical Assistant. He left the company in 1976 and set up Kian Guan Trading Co. in 1977. In 1984, he founded Kawan Food Manufacturing Sdn. Bhd. ("KFM"). The growth of KFM from small business to an award-winning enterprise is attributable to his efforts.

His business acumen and sound technical knowledge in the food industry is an invaluable asset to the Group. He is responsible for the overall business planning and development, product research and development, transformation and modernisation of food production process through automation, formulation of companies' strategic plans and policies.

Mr. T.C. Gan is the husband of Mdm. Kwan Sok Kay, brother of Mr. Gan Thiam Hock and father-in-law to Mr. Timothy Tan Heng Han. He has no conflict of interest with the Company except that he is a substantial shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended four (4) out of the five (5) Board Meetings held during the financial year ended 31 December 2016.

Managing Director's Profile

TIMOTHY TAN HENG HAN
Malaysian, Male, Aged 35
Managing Director

Timothy Tan Heng Han was appointed to the Board on 25 November 2013 and redesignated as Managing Director of Kawan Food Berhad on 21 April 2015.

Mr. Timothy Tan graduated with Bachelor of Business in Marketing (Sub majors in Business Information Systems and Advanced Advertising) from the University of Technology Sydney, Australia. He also obtained Diploma in Marketing Communications from International Advertising Association and Diploma in Marketing Research from Marketing Research Society of Australia.

He began his career in year 2003 as a Worksite Marketing Executive in Allianz Life Insurance (M) Berhad. In year 2004, he joined KFM as Marketing Executive and was promoted to the Deputy General Manager (Exports) for the Group. In addition, he also oversees the launch of new products in existing and new markets for brands owned by the Group in overseas markets.

Mr. Timothy Tan is the son-in-law of Mr. T.C. Gan and Mdm. Kwan Sok Kay. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2016.

Directors' Profiles

GAN THIAM HOCK
Malaysian, Male, Aged 54
Non-Independent Executive Director

Gan Thiam Hock ("T.H. Gan") was appointed to the Board on 1 June 2005. He is also the Chairman of the Remuneration Committee of the Company.

Mr. T.H. Gan has more than 30 years of experience in the marketing of pastry and frozen food products. After leaving school in 1981, he joined Mr. T. C. Gan at Kian Guan Trading Co. He is also the co-founder of KFM and holding the position of the Sales Director, a position he continues to hold until today.

Mr. T.H. Gan is responsible for the overall expansion and development of the marketing networks of the Group, as well as implementation of, sales distributions and promotional activities for the domestic market.

Mr. T.H. Gan is the brother of Mr. T.C. Gan and brother-in-law to Mdm. Kwan Sok Kay. He has no conflict of interests with the Company except that he is a substantial shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2016.

KWAN SOK KAY
Malaysian, Female, Aged 62
Non-Independent Executive Director

Kwan Sok Kay was appointed to the Board on 1 June 2005.

After leaving school in 1973, she was involved in book-keeping work in several companies until she joined Unic Plastics Industries Sdn. Bhd., a plastic products manufacturing company, as an Account cum Administrative Assistant in 1975. Subsequently, she joined KFM in 1984 as a Director, before holding the post of Finance Director in 1986.

Mdm. Kwan is responsible for the financial management and administrative functions of the Group, as well as the implementation of accounting and operational procedures and human resource policies.

Mdm. Kwan is the wife of Mr. T.C. Gan, sister-in-law of Mr. T.H. Gan and mother-in-law of Mr. Timothy Tan Heng Han. She has no conflict of interests with the Company. She has never been convicted for any offence within the past five (5) years. She attended all the five (5) Board Meetings held during the financial year ended 31 December 2016.

CHEN SENG CHONG
Malaysian, Male, Aged 68
Senior Independent Non-Executive Director

Chen Seng Chong was appointed to the Board on 16 May 2005. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Company.

Mr. Chen graduated with a Bachelor of Engineering (Hons) degree from the University of Malaya in 1973. Upon graduation he started work with Impact Industries Sdn. Bhd. as Plant Engineer. Later in the year, he joined the then Federal Industrial Development Authority (later re-named Malaysian Industrial Development Authority and now known as Malaysian Investment Development Authority ("MIDA")) as a Project Evaluation Engineer. He was with MIDA for twenty-four (24) years and his last held position in MIDA was Deputy Director of the Electrical and Electronics Industries Division. He took optional retirement in 1997 and joined Bright Rims Manufacturing Sdn. Bhd. as General Manager. In 2000, he left the company and became an independent Industrial Consultant. He is a member of the Institution of Engineers, Malaysia.

Mr. Chen does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2016

LIM PENG @ LIM PANG TUN
Malaysian, Male, Aged 62
Independent Non-Executive Director

Lim Peng @ Lim Pang Tun was appointed to the Board on 16 May 2005. He is also the Chairman of the Nominating Committee, a member of the Audit Committee and Remuneration Committee of the Company.

Mr. Lim holds a Master in Business Administration degree from the Louisiana State University, United States of America. He is a Chartered Accountant of the Malaysian Institute of Accountants and an Associate Member of CPA Australia and the Chartered Institute of Management Accountant, UK.

He has over 30 years experience in executive management, corporate finance and accounting; and has worked in the investment banking, healthcare, cruises, pharmaceuticals, chemicals and heavy equipments industry. He has held positions as Executive Director of Pantai Holdings Berhad, Director of Paos Holdings Berhad and Vice-President, Finance and Treasury with Star Cruises Ltd. He was also previously the Vice-President, Business Development of Hwang-DBS Investment Bank Berhad and General Manager, Corporate Finance of Affin Investment Bank Berhad. He is currently involved in private investment ventures.

Mr. Lim does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2016.

DR NIK ISMAIL BIN NIK DAUD
Malaysian, Male, Aged 66
Independent Non-Executive Director

Dr. Nik Ismail Bin Nik Daud was appointed to the Board on 2 January 2017.

Dr. Nik is a Fellow, International Academy of Food Science and Technology. He graduated with a Bachelor of Agricultural Science (Hons) from University of Malaya in 1975. Subsequently, he obtained a Postgraduate Diploma in Food Science from the Catholic University of Leuven, Belgium in 1976, a Master of Science in Food Science & Microbiology from University of Strathclyde, Scotland in 1978, a PhD in Food Science from University of London, UK in 1983 and a Master of Business Administration from Universiti Kebangsaan Malaysia ("UKM") in 1987.

Dr. Nik began his career as a lecturer on various subjects such as food quality and safety systems, food microbiology, food analysis, new product development, food legislation and operations management, management of biotechnology and entrepreneurship in science and technology for undergraduate and graduate levels at the School of Chemical Science and Food Technology in UKM in 1978. His industry experience includes holding senior positions in private companies involved in food-related businesses. He has also conducted workshops for many food companies and government agencies on food quality, safety systems, food legislations and intellectual property management in the food industry since 1983. He was appointed as Managing Director of UKM holdings Sdn Bhd in 2006 and has since resigned from that position in 2014.

Dr. Nik is a member of numerous national committees including the National HACCP Committee, National HACCP Audit Committee, Technical Advisory Committee on Malaysian Food Regulations, 1985, Technical Committee of the National Food Safety Council, Malaysia, Member of National Food Safety and Nutrition Council, Malaysia, National Codex Alimentarius Committee, Malaysian Standards on Coffee, Beverages, Flour, Starches and Food Safety and a Member of the Industrial Standard of Food and Food Products. In addition, he was the president of the Malaysian Institute of Food Technology until 2014 and was also past President of Federation of Institute Food Science and Technology, Association of South East Asian Nations (FIFSTA). He was appointed as the Independent Non-Executive Director of Bioalpha Holdings berhad on 30 June 2011.

Dr. Nik does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He did not attend any Board Meetings held during the financial year ended 31 December 2016 as he was only appointed subsequent to the year end.

LIM HUN SOON @ DAVID LIM
Malaysian, Male, Aged 61
Independent Non-Executive Director

Lim Hun Soon @ David Lim was appointed to the Board on 21 October 2015. He is also the Chairman of the Audit Committee and was appointed as member of Remuneration Committee on 24 November 2016.

Mr. Lim graduated with a Bachelor of Arts in Economics from the University of Leeds in 1978 and subsequently joined Peat Marwick Mitchell (now known as KPMG) in the United Kingdom ("UK") in 1978. He qualified as a member of the Institute of Taxation, UK in 1981 and as a Chartered Accountant in England and Wales in 1982. He returned to Malaysia in 1982 to continue his service with KPMG, and was admitted as a member of the Malaysian Institute of Accountants ("MIA") and the Malaysian Association of Certified Public Accountants (now known as the Malaysian Institute of Certified Public Accountants ("MICPA")) in 1982 and 1984 respectively.

Mr. Lim has had an extensive career serving as an Auditor at KPMG, spanning 33 years. During his career with KPMG, he was admitted as Partner of the firm in 1990 and served in the Management Committee of the firm from 1997 to 2001 and in KPMG's Partnership Supervisory Council from 2002 to 2010. He was also the Asian Anchor Practice representative for Marketing from 2000 to 2001, in which role he gained extensive and insightful knowledge from KPMG Global counterparts worldwide.

In 2006, he was tasked to start up the Audit Committee Institute, Malaysia ("ACI Malaysia"), which is a virtual worldwide initiative sponsored by KPMG to assist independent directors in enhancing their awareness and ability to implement effective board processes.

Mr. Lim actively served as an examiner for Company Law examinations conducted by the MICPA for over a period of ten (10) years. He was the Chairman of the MICPA Code of Ethics Committee and a member of the MIA Code of Ethics Committee, both from 2002 to 2004. He retired from KPMG in 2011. In 2013, he was appointed as Council member of The Institute of Chartered Accountants in England & Wales ("ICAEW"). This was the first time that ICAEW, in its illustrious history had appointed a Malaysian on Council. The position was for a term of two years till 2015; this was subsequently renewed for a second term of two years to 2017. Recently, his term as Council member was renewed for a third term of two years till 2019.

Mr. Lim holds directorships in public listed companies, he is an independent Non-Executive Director of Manulife Holdings Berhad, Sasbadi Holdings Berhad, Ranhill Holdings Berhad and Ann Joo Resources Berhad. He also holds directorships in Manulife Insurance Berhad, Fairview Schools Berhad, Affin Investment Berhad (formerly known as Affin Investment Bank Berhad), Affin Hwang Investment Bank Berhad and Rockwills Trustee Bhd.

Mr. Lim does not have any family relationship with any Director and/or major shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2016.

NARESHCHANDRA GORDHANDAS NAGRECHA
British, Male, Aged 66
Non-Independent Non-Executive Director

Nareshchandra Gordhandas Nagrecha was appointed to the Board on 31 December 2009. He is a member of the Nominating Committee of the Company.

Mr. Nagrecha graduated with a degree in Chemistry-Microbiology from Bombay University and completed Master of Science (M.Sc) degree in Food Science at the Reading University, UK. He subsequently obtained Post-Graduate Diploma in Management Studies.

Starting his career in Research and Developement in Food and Drink Industry, in 1982, he jointly founded Rubicon Drinks Limited, a company incorporated in England and Wales, to produce and distribute Exotic Juice Drinks for the ethnic South Asian community. The company grew rapidly and is now considered to be part of the mainstream drinks chain in the UK. In August 2008, the company was sold to AG Barr plc, the third largest drinks manufacturer in the UK.

The Nagrecha Group own Rubicon Food Products Limited ("RFPL"), a company incorporated in Canada. RFPL, which manufactures and distributes the Rubicon range of drinks as well as imports and distributes Shana range of frozen vegetables and flat bread for the South Asian market in North America.

He is also the beneficial owner of Shana Foods Limited, a company incorporated in England and Wales, which imports and distributes Shana range of frozen vegetables and flat bread for the South Asian market in Europe.

In 2010, he ventured into hospitality industry and set up the "Sandalwood Hotel & Retreat" in Goa, India. Since, its opening, it has been awarded the "Certificate of Excellence" for five consecutive years by Tripadvisor and is now in the Hall of Fame.

Mr. Nagrecha is now settled in Malaysia and is presently developing Rubicon business in the rest of the world.

Mr. Nagrecha is keenly involved in charitable work with Sanskruit Foundation UK and Jamnaben Gordhandas Nagrecha foundation. His special interest is in educating the needy.

Mr. Nagrecha does not have any family relationship with any Director and/or major shareholder of the Company except that he is a substantial shareholder deemed interested in the Company through Maybank Securities (Asing) Sdn. Bhd. Exempt AN for Volaw Trustee Limited (Narvee). He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2016.

ABDUL RAZAK BIN SHAKOR
Malaysian, Male, Aged 59
Non-Independent Non-Executive Director

Abduk Razak Bin Shakor was appointed to the Board on 16 August 2016.

Encik Abdul Razak attended Institute Technology MARA, Malaysia, majoring in Insurance. He has obtained Certificate from Lloyds of, London Charter Insurance Institute and Institute of Risk Management. He has more than 37 years extensive working experience in risk management, insurance and financial services sector in Malaysia and Internationally. He has served in key regional management positions for South-East Asia and the Middle-East and North Africa for multinational/international organisations. He is the Managing Director and founder of Esperanza Management Advisors Sdn. Bhd., a Risk Management consulting services firm and Chairman of Alloy Insurance Brokers Sdn. Bhd., a Bank Negara licensed insurance, reinsurance and takaful insurance broking company.

Encik Abdul Razak does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended the remaining Two (2) Board Meetings held during the financial year ended 31 December 2016 subsequent to his appointment.

Profile of Key Management

The Management of the Group is headed by the Group Managing Director, Mr. Timothy Tan Heng Han, and he is assisted by the Executive Directors, i.e. Mr. Gan Thiam Hock and Mdm. Kwan Sok Kay, and the following key senior management:

TEOH SOON TEK
Financial Controller
Nationality: Malaysian
Age: 41
Gender: Male

Appointment to the current position: March 2013

Qualifications:
- Bachelor of Accounting, RMIT University
- Member of Malaysian Institute of Accountants
- Member of CPA Australia

Work experience:
- More than 18 years of experience in the areas of auditing, accounting, taxation, GST, corporate affairs and finance, having worked in international accounting firms and public listed companies prior to joining the Group.

YAN WEIDONG
General Manager of Kawan Food (Nantong) Co., Ltd.
Nationality: Chinese
Age: 49
Gender: Male

Appointment to the current position: March 2012

Qualifications:
- Bachelor of Machinery, Shanghai University
- Executive Master of Business Administration, Dumex Management Institute

Work experience:
- More than 20 years of experience in the areas of marketing, sales and business development in the Fast-Moving Consumer Goods (FMGC) business from several multi-national companies prior to joining the Group.

Additional notes on the above key senior management
None of the above key senior management has any:

(i) directorship in public companies and listed issuers;
(ii) family relationship with any director and/or major shareholder of the Company;
(iii) conflict of interests with the Company; and
(iv) conviction for offences within the past five (5) years, and public sanction or penalty imposed by the relevant regulatory bodies on him or her during the financial year ended 31 December 2016, which require disclosure pursuant to paragraph 4A (g) of Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Group Corporate Structure

HOT AND GO MANAGEMENT SDN. BHD.
Operators and proprietors of café, bistro and restaurant
50%

KG PASTRY MARKETING SDN. BHD.
Investment property and rental of trucks
100%

KAWAN FOOD MANUFACTURING SDN. BHD.
Manufacturing and sales of frozen food products
100%

KAWAN FOOD CONFECTIONERY SDN. BHD.
Investment holding
100%

DIKAWANI FOODS SDN. BHD.
(Operators and proprietors of food truck)
51%

KAYANGAN MANISAN (M) SDN. BHD.
(In members' voluntary liquidation)

KAWAN FOOD BERHAD
Investment holding

KAWAN FOOD (HONG KONG) LIMITED
Trading and distribution of frozen food products
100%

KAWAN FOOD (NANTONG) CO., LTD.
Manufacturing and sales of frozen food delicacies
100%

Management Discussion and Analysis

Year 2016 was an exciting and extremely busy year for Kawan Food Berhad. The Management team was tied up with the usual day-to-day operational challenges and at the same time was involved in on-going construction and outfitting of the new factory in Pulau Indah, Klang. As communicated at various forums, the new factory is a state of the art facility with emphasis on efficiencies, environmental friendly processes and cost competitiveness viz-a-viz the industry. Some of these initiatives involve quite complex technologies, therefore many engagement meetings, testing and reviews were held with suppliers and consultants both abroad and locally. This has resulted in a number of delays in commissioning the factory with the latest revised timing to be by the second half of 2017.

Despite the heavy and taxing commitments, the Company is pleased to deliver a commendable performance for the year under review. Group sales revenue grew by 13% and sales volume by 4%. Our major product category, Paratha had both value and volume increases by more than 20%.

Brand wise, KAWAN remains the largest, contributing 54% of total sales. This was followed by KG at 19%.

Commendable Performance

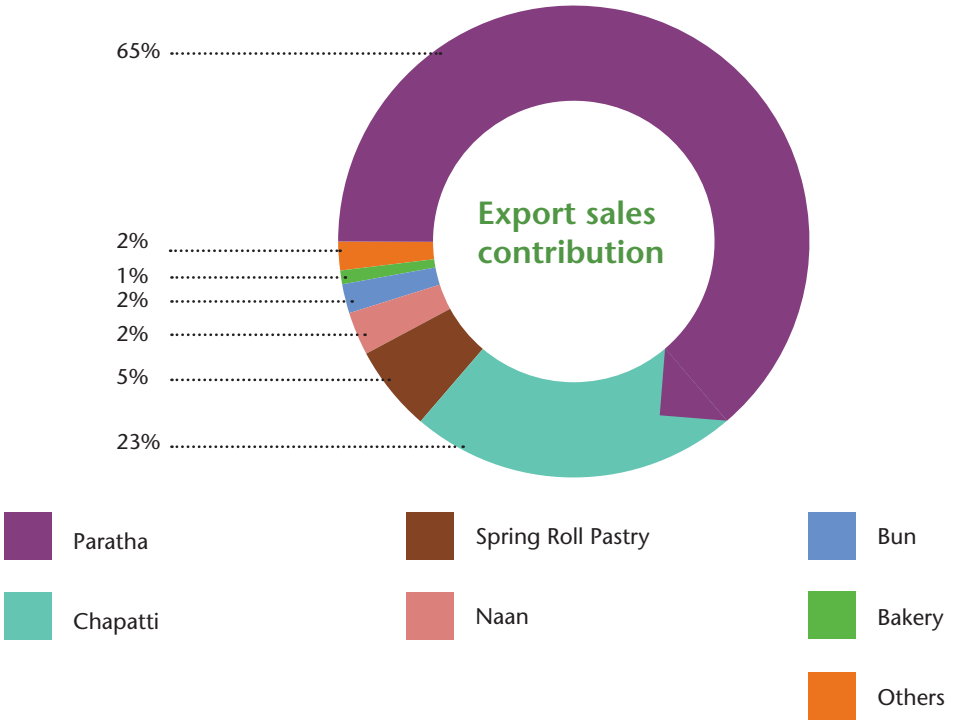
All geographical regions had sales growth in 2016 except for Europe mainly attributed to a decline of 30% in France and flat sales in the United Kingdom.

There was no selling price increase across all markets in 2016. However prices of major raw materials used in our products namely wheat flour and margarine had average increases of 6% and more than 30% respectively in 2016 compared to 2015. In Malaysia, post GST, there was heightened inflationary pressure across the board with other raw materials, packing materials and even labour costs increases. The tough trading environment and poor trade sentiments did not allow us to pass on these increases to the consumers. This was especially evident in Malaysia and in some export markets.

As export accounted for 58% of total sales revenue, the weakening of the Malaysia Ringgit ("RM") versus the US dollar ("USD") in 2016 provided some positive cushioning effect. We took the opportunity to provide rebates to some export customers to boost marketing activities and sales promotions in order to gain market share. It was also a natural currency hedge for us as we had capital expenditure commitments in USD with regard to the new factory.

On the export front, sales revenue increased by 14% when compared to 2015 with our single largest market, the United States hitting 20% growth. It now accounts for just under 50% of total export sales. We have multiple distributors there which cater for the different consumers originating from the South Asia countries, the Oriental communities and since the last 3 years to consumers originating from the Middle East and Mediterranean.

There were other notable achievements in the export markets. This included Australia which jumped to being our third largest market from fifth place in 2015. A key attribute to this success was the adoption since a couple of years back of having different distributors via a combination of channels and geographical coverage. Maldives continued its strong growth trend as in the past few years with a 77% growth achievement in 2016. Japan, Indonesia, Oman, New Zealand and Qatar all did well with high growth rates.

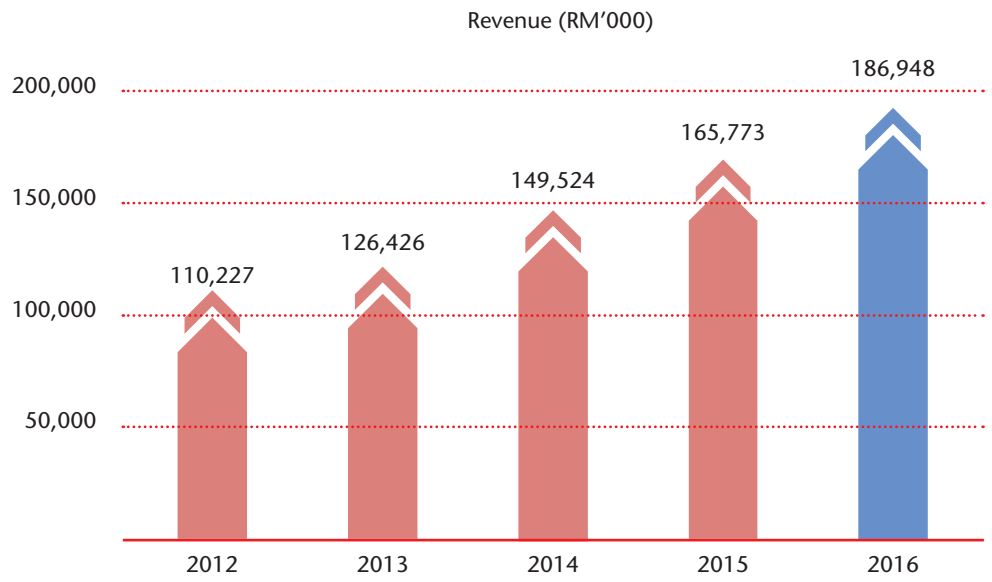


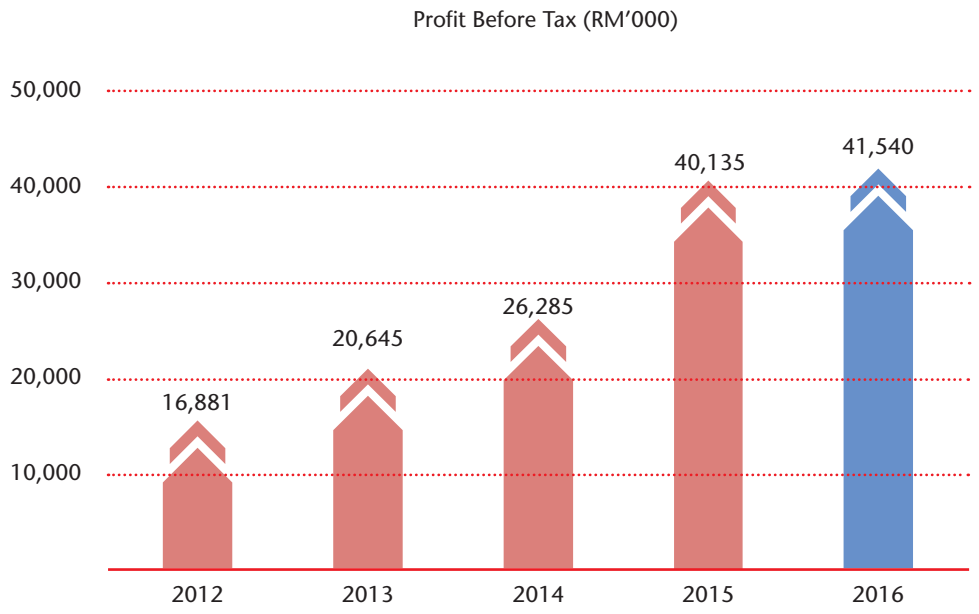
Under exports sales revenue, Paratha accounted for 65% of sales with bulk of it from KAWAN and AMAN brands. The second largest product category is Chapatti again under KAWAN and AMAN. Together these categories contribute 88% of total export sales.

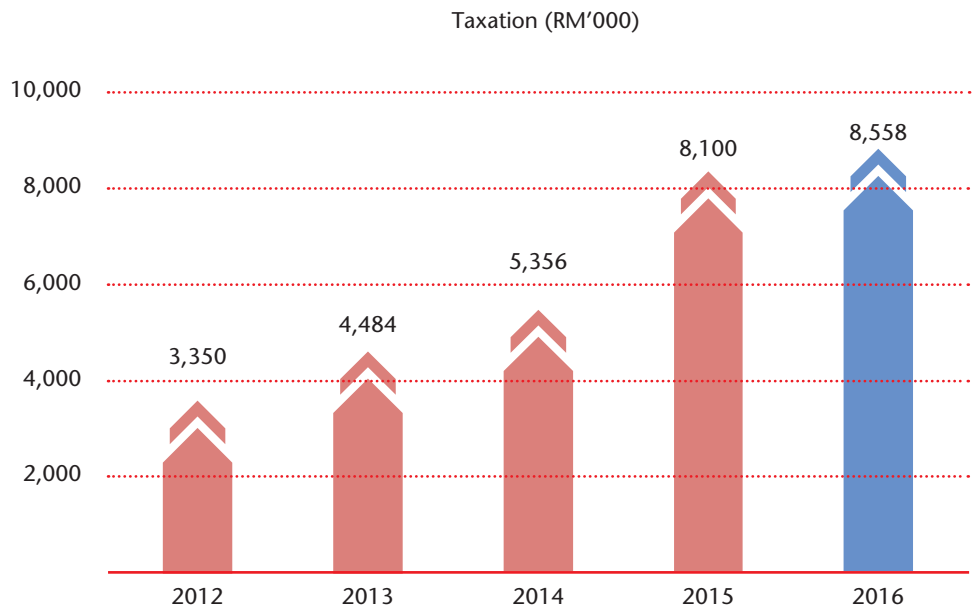
At group level, gross profit increased by one percentage point from 46% to 47%, a somewhat favourable outcome under an environment of raw material increases, cost inflationary pressures at our Malaysia and China factories but counter balanced by the strength of the USD versus local currencies and increase in sales volume.

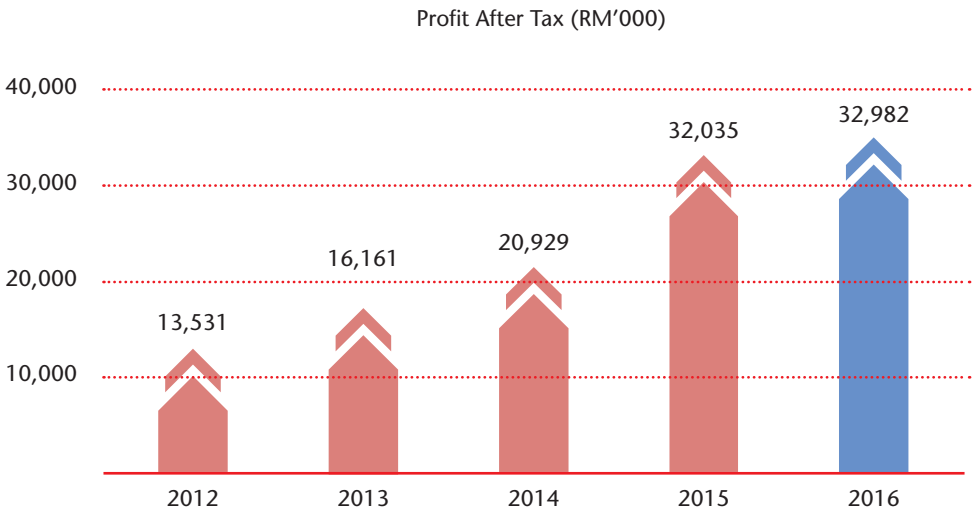
Operating profit at 22% of sales declined by 2 percentage points from 24% in 2015. This was attributed mainly to an increase in Advertisement and Promotion activities in Malaysia market and selling expenses in China.

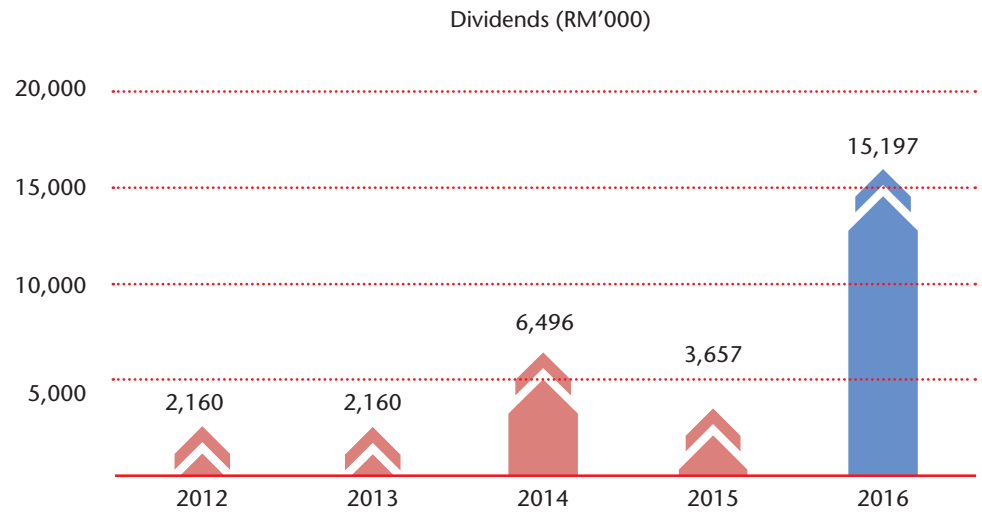
Financial Highlights

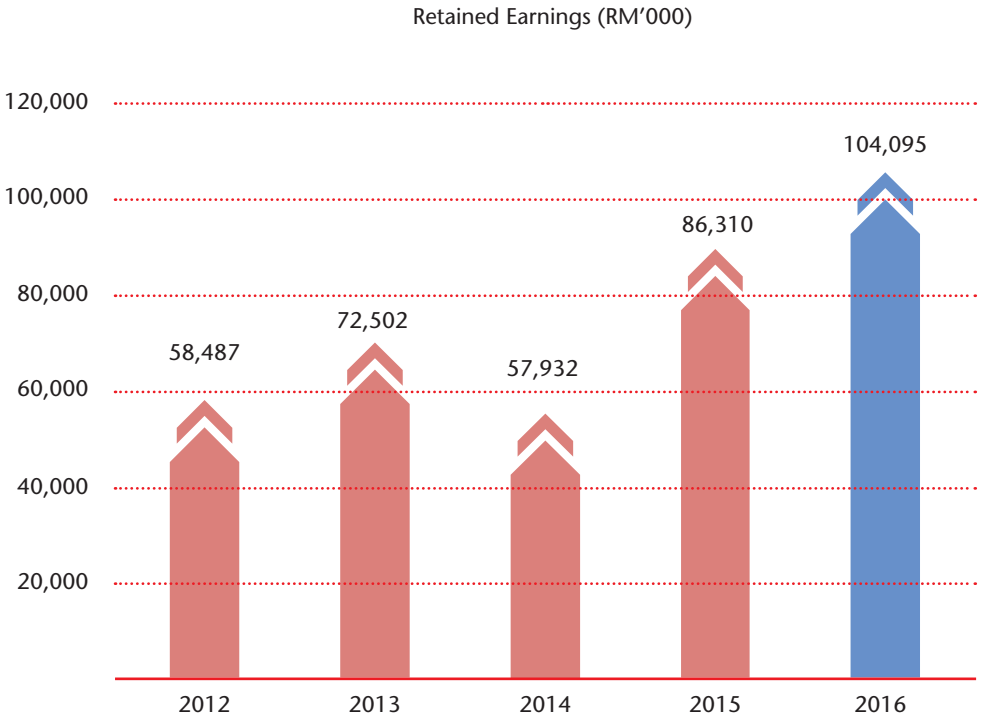



Profit Before Tax (RM'000)
50,000
40,000
30,000
20,000
10,000
16,881
20,645
26,285
40,135
41,540
2012
2013
2014
2015
2016


Taxation (RM'000)
10,000
8,000
6,000
4,000
2,000
3,350
4,484
5,356
8,100
8,558
2012
2013
2014
2015
2016


Profit After Tax (RM'000)
40,000
30,000
20,000
10,000
13,531
16,161
20,929
32,035
32,982
2012
2013
2014
2015
2016


Dividends (RM'000)
20,000
15,000
10,000
5,000
2,160
2,160
6,496
3,657
15,197
2012
2013
2014
2015
2016


Retained Earnings (RM'000)
120,000
100,000
80,000
60,000
40,000
20,000
58,487
72,502
57,932
86,310
104,095
2012
2013
2014
2015
2016

	2012	2013	2014	2015	2016
Statement of Profit and Loss (RM'000)					
Revenue	110,227	126,426	149,524	165,773	**186,948**
Profit Before Tax	16,881	20,645	26,285	40,135	**41,540**
Taxation	3,350	4,484	5,356	8,100	**8,558**
Profit After Tax	13,531	16,161	20,929	32,035	**32,982**
Non-Controlling Interest	14	14	(21)	-	-
Dividends	2,160	2,160	6,496	3,657	**15,197**
Bonus Issue	-	-	28,982	-	-
Retained Earnings (opening)	47,102	58,487	72,502	57,932	**86,310**
Retained Earnings (closing)	58,487	72,502	57,932	86,310	**104,095**

	2012	2013	2014	2015	2016
Statement of Financial Position (RM'000)					
Issued and Paid-up Share Capital	60,000	60,000	91,175	104,839	**134,820**
Share Premium	-	-	-	11,751	**37,535**
Non-Distributable Reserve	322	3,337	5,318	13,906	**14,984**
Retained Earnings	58,487	72,502	57,932	86,310	**104,095**
Shareholders' Fund	118,809	135,839	154,425	216,806	**291,434**
Non-Controlling Interest	(12)	(26)	(5)	-	-
Deferred Taxation	2,287	3,054	863	59	**291**
Long-Term Borrowings	3,066	2,094	5,842	25,358	**20,226**
	124,150	140,961	161,125	242,223	**311,951**
Property, Plant and Equipment, Investment Properties and Prepaid Lease Payments	81,808	83,766	101,020	158,684	**207,565**
Investment in Jointly Controlled Entity	90	-	-	-	-
Deferred Taxation	486	1,598	27	188	**278**
Net Current Assets	41,766	55,597	60,078	83,351	**104,108**
	124,150	140,961	161,125	242,223	**311,951**

	2012	2013	2014	2015	2016
Financial Ratio					
Revenue growth (%)	5.96	14.70	18.27	10.87	**12.77**
Current ratio (times)	3.50	3.98	3.37	3.66	**3.60**
Cash ratio (times)	1.53	1.93	1.46	2.01	**2.01**
P/E ratio (times)	11.55	15.53	12.16	21.92	**28.68**
Total borrowings/Equity (%)	3.36	2.26	4.45	12.19	**8.18**
Long-term borrowings/Equity (%)	2.58	1.54	3.78	11.70	**6.94**
Basic earnings per share (sen)	*7.49	*8.95	11.51	16.38	**13.25**
Dividend per share (sen)	1.80	1.80	5.40	2.00	**6.00**
Net assets per share attributable to shareholders of the Company (RM)	0.99	1.13	0.85	1.03	**1.08**
Share Price - High (RM)	1.10	1.39	2.75	4.00	**4.00**
Share Price - Low (RM)	0.80	0.77	1.30	1.40	**3.00**
Share price at 31 December	0.87	1.39	1.40	3.59	**3.80**
Company market capitalisation (RM'000)	103,800	166,800	255,289	752,742	**1,024,631**

* restated

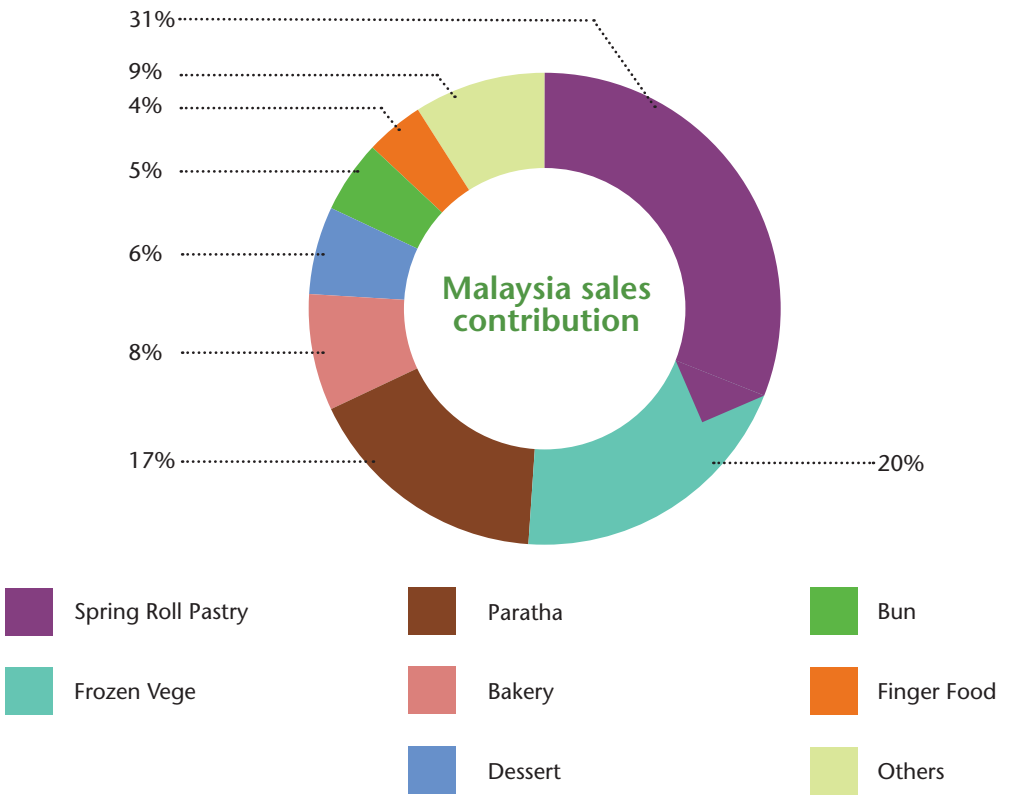
	2012	2013	2014	2015	2016
Five Year Dividend Payment as % of Profit After Tax					
Profit After Tax (RM'000)	13,531	16,161	20,929	32,035	**32,982**
Dividend Paid (RM'000)	2,160	2,160	6,496	3,657	**15,197**
Dividend Payment as % of Profit after Tax	16%	13%	31%	11%	**46%**

Malaysia – Business Operations Overview

The domestic business in Malaysia is handled by our own sales team with direct logistics/distribution in KL/Klang Valley and a network of third party stockists and distributors elsewhere including East Malaysia. We distribute our products to hypermarkets, supermarkets, large to small provision stores, HORECA (Hotels, Restaurants, Caterers) and food service outlets. In 2016, domestic sales grew 11% in value and 12% in volume terms. This was a commendable performance despite the tough trading environment whereby consumer purchasing power and trade collections slowed down. Many shopping malls and supermarkets reported weak sales throughout the year.

The growth was spearheaded by the top 2 largest product category namely spring roll pastry which delivered a strong showing pre Ramadhan and frozen vegetable range throughout the year.

The top product categories are shown below and is different to that of the export market.



Pending introduction of more new own-manufactured products when Pulau Indah factory is commissioned, the domestic team will expand the range of products via OEM arrangements and/or on a trading basis. This approach will ensure that we are able to provide our customers with an extensive range of frozen foods making Kawan Food a one-stop centre.

In 2016, we embarked on a food truck project to test Ready-To-Eat (RTE) meals which we intend to mass produce once the facilities at Pulau Indah are ready. Through the learning and feedback received, we are hopeful to be able to provide the right product offer and concepts to the trade.

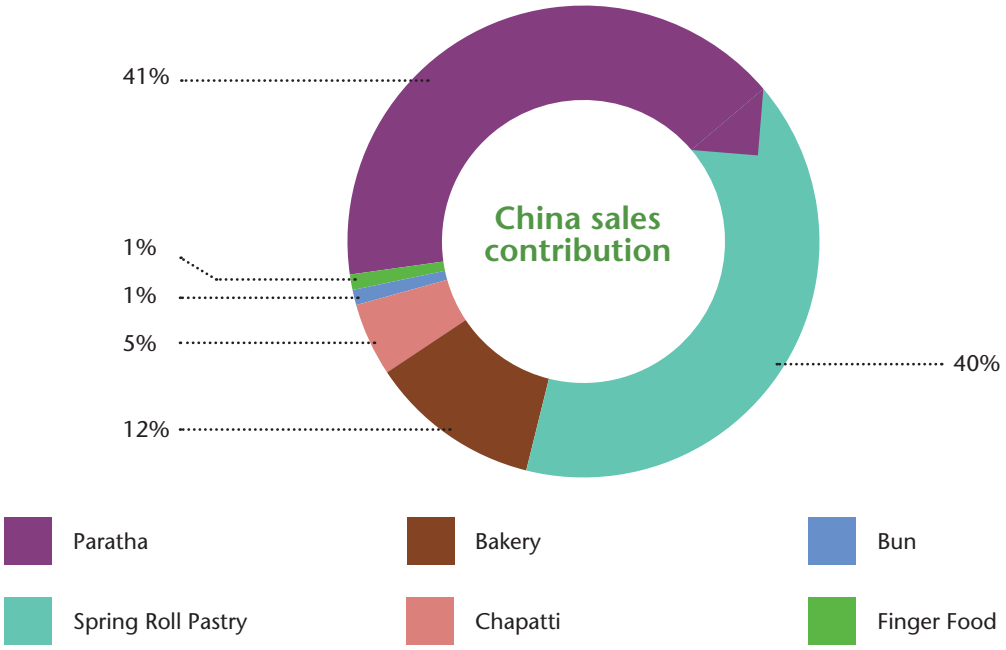
The food truck business if proven viable may be a permanent feature down the road as it can be turned into a Licensing business model for individual entrepreneurs who wants to own and run their own business.

Also on the RTE front, the central team soft-launched ONIGIRI towards last quarter of 2016. The Japanese rice ball made with rice filled lightly with various flavour/condiments is formed into a triangle wrapped in seaweed. The product which comes in different flavours is available for sale at selected food kiosks and retailers.

China – Business Operations Overview

Our factory is located in Nantong, Jiangsu Province. This industrial city is about 2 hours' drive from Shanghai. Up until now, the domestic sales is just focussed on Greater Shanghai and to a lesser extent Beijing. Towards end of 2016, we started some distribution activities in the Guangdong Province.

Overall sales in China increased to RM36.1 million in 2016 compared to RM25.5 million in 2015. The growth came from the export markets whereas domestic sales remain stagnant. Paratha product group followed closely by spring roll pastry range are the top 2 sales contributors. Other product groups such as pau and glutinous rice ball face intense competition in China.



Cost of operations continue to increase at a much faster pace compared to Malaysia. Due to the increase in overall volumes at the factory, we faced major problems at our cold-room due to insufficient space. Despite some careful planning, the problem escalated when some overseas shipments were delayed due to unforeseen circumstances.

Outlook and Prospects

Going forward, we remain bullish on our business outlook despite the many challenges that lie ahead. Externally on the macro-economic front, the new administration in USA has signalled various policy changes that will affect free flow of trade and emphasis on USA first. Whether these will translate into trade restrictions and/or trade barrier type of measures are left to be seen. Other trade blocs have not reacted as it is still early days. It is hoped that if there are changes, it will not affect the food industry in any significant manner. In the meantime, we will continue to upgrade our packaging covering latest labelling laws, strengthen our branding activities and further improve our distribution and presence in the USA market.

Within the export part of the business, we will embark more aggressively into building higher potential markets that already exists as well as opening up new markets and new channels. This will be attained through more participation in exhibitions and field trips to identified markets.

On the Malaysia front, the weak RM which is the main causal factor to the increased cost of living will remain a dampener on our sales. The local team will continue to strive to increase market share and to introduce new products to our current portfolio.

The Ready-To-Eat division in Malaysia which will be fully launched after commissioning of Pulau Indah factory will be another exciting new development. This business aims to provide affordable and convenient meals to consumers via a platform of food solutions to the HORECA trade channel.

Internally, we look forward to getting the new factory up and running smoothly and gradually ramping up production so as to ensure selling activities are not disrupted. The existing two factories in Shah Alam will continue to support our need for stocks and will only wind down once the situation is stable.

Acknowledgements

I take this opportunity to thank my fellow Board members and our shareholders, customers and business partners for their continued support of our business. I also wish to convey my heartfelt appreciation to all KAWAN employees for their commitment and dedication. Together, we can achieve more and bring the Group to greater heights of success.

TIMOTHY TAN HENG HAN
Managing Director

Statement on Corporate Governance

The Board of Directors ("the Board") of Kawan Food Berhad ("KFB" or "the Company") recognises the importance of adopting corporate governance in the Group and is committed to ensure the sustainability of the Company's businesses and operations through the implementation and observation of the Principles and Recommendations as promulgated by the new Malaysian Code on Corporate Governance 2012 ("MCCG 2012").

This Statement outlines the principles and recommendations which the Company has adopted and applied, and where there are gaps in the Company's observation of any of the recommendations, they are disclosed herein with explanations.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear functions of the Board and Management

The Group acknowledges the pivotal role played by the Board in the stewardship of its directions and operations, and ultimately the enhancement of long-term shareholders' value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board is guided by a Board Charter which sets out the duties and responsibilities of the Board. The Board Charter further defines the respective roles of the Chairman of the Board, the Managing Director (MD) and the Senior Independent Non-Executive Directors. The Board Charter is available for reference at the Company's website at www.kawanfood.com

The Board Charter has been established to promote high standards of corporate governance and is designed to provide guidance and clarity for Directors and Management with regard to the role of the Board and its committees. The Board Charter does not overrule or pre-empt the statutory requirements and other relevant statutes. The Board Charter will review from time to time to ensure it complies with legislation and best practices,and remains relevant and effective in light of the Board's objectives.

The Board will review the Board Charter from time to time, as and when necessary to be in line with the Listing Requirements.

Functions of the Board and the Management

The Board, comprising members with diverse skills, experience and qualifications, recognises the clear distinction of the roles and responsibilities between the Board and the Management. The Board is responsible for the overall strategic direction and leadership of the Group, the adequacy and effectiveness of the Group's risk management and internal control system, and compliance with the relevant laws and regulations. The Management, on the other hand, is responsible for assisting the Board in implementing the policies and procedures adopted by the Board to achieve the Group's objective and in running the Group's day-to-day business operation.

To assist in the discharge of its responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide recommendations and advice:

- Nomination Committee ("NC").
- Remuneration Committee ("RC").
- Audit Committee ("AC") (inclusive Internal Risk Management Working Committee)

Each Committee operates its functions within their approved terms of reference by the Board which are reviewed by the Board from time to time and the Board appoints the Chairman and members of each Committee.

The respective Committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The Board may form other Committees delegated with specific authorities to act on their behalf. These Committees operate under approved terms of reference or guidelines, whenever required.

All Board Committees have written terms of reference which is approved by the Board. The respective Chairman of the NC, RC and AC report to the Board accordingly subsequent to the respective Committee meetings.

A brief description of each Director is presented in the profile of Directors on pages 12 to 16 of this Annual Report.

Board Role and Responsibilities

The Company is led by an experienced and dynamic Board. It has a balanced board composition with effective independent directors. The Board plays a pivotal role in the stewardship of the Group and ultimately enhancing shareholders value. To fulfill this role, the Board is responsible for the following:

- Reviewing, challenging and approving the strategic plans prepared by the Management and to monitor the implementation of the plan and ensuring that the strategies promote sustainabilities.
- Overseeing the conduct of the Group's business to evaluate whether the businesses are being properly managed.
- The Board is kept informed of key strategic initiatives, significant operational issues and the Company's performance through the periodic meetings.
- Identifying principal business risks affecting the Group and ensure the implementation of appropriate system to manage these risks.
- Ensuring that there are plans in place for orderly succession of senior management.
- Reviewing the adequacy and the integrity of our Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- Receiving the audit report by the Internal Auditors which had been reviewed by the AC and conducts annual assessment on the adequacy of the Department's scope of work and resources.
- Reviewing the summary of internal audit's findings together with the Management's responses to ensure that the Management undertakes the agreed remedial actions by the Internal Auditors.
- Monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting.
- The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and its effectiveness are available in the Statement on Risk Management and Internal Control of this Annual Report.
- Ensuring that the Company's financial statements are true and fair and conform with the accounting standards.
- Ensuring that the Company adheres to high standards of ethics and corporate behavior.

Code of Conduct

The Board has formalised and adopted a Code of Conduct which sets out certain values, principles and standards of good conduct expected of the Directors and employees at work. A copy of the Code of Conduct can be viewed at the Company's website. The Code of Conduct will be reviewed from time to time for changes and new developments in the external and internal environment.

The details information can be found in the Company's website at www.kawanfood.com

Whistle Blower Policy

As part of the Company's continuous effort to ensure that good corporate governance practices are being adopted, the Company has established a Whistle Blower Policy to provide a clear line of communication and reporting of concerns for employees at all levels, and provides alternative lines of communication depending on the person(s) who is/are the subject of such concerns.

The Company's Whistle Blower Policy fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for the exposure of any violations or improper conduct or wrong doing within the Company.

Reporting individual shall report directly to the Head of Department orally or in writing such as using email or existing suggestion box. However, if reporting individual is uncomfortable speaking with the Head of Department, he/she is encouraged to raise the matter to anyone in management the reporting individual is comfortable in approaching. If the channels have been followed and the reporting individual still has concerns, he/she shall report directly to Audit Committee Chairman on any allegations of suspected improper activities – whether received as a protected disclosure, including those relating to financial reporting, unethical or illegal conduct and any employment-related concerns.

The AC is committed to investigate and address all cases of reported misconduct and determine the channel for investigation and follow-up action.

The details information can be found in the Company's website at www.kawanfood.com

Sustainability

The Board recognises the importance of sustainability and its increasing significance in the business. The Board is committed to understanding and implementing sustainable practices and to exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success.

The Company will formalise a Sustainability Policy for the financial year ending 31 December 2017 which aims to integrate the principles of sustainability into the Company's strategies, policies and procedures and ensure that the Board and senior management are involved in implementation of this policy, review the sustainability performance and create a culture of sustainability within the Company, and the community, with emphasis on integrating the environmental, social and governance considerations into decision making process and the delivery of outcomes.

Access to Information and Advice

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for informed decision making and effective discharge of the Board's responsibilities.

The Board meets at least once quarterly to review and approve the quarterly results of the Group for announcement. The Board also attends additional meetings to be convened on an ad-hoc basis as and when necessary to consider corporate proposals or business issues that require urgent decision of the Board. Senior Management staff are invited to attend the Board meetings where necessary to provide the Board with detailed explanations and clarifications on issues that are being considered during the Board meetings.

The notice of a Directors' meeting is given in writing at least seven (7) days prior to the meeting. The Board's deliberation, in terms of the pertinent issues discussed at the meetings in arriving at the decisions and conclusions thereof in discharging the Board's duties and responsibilities are properly recorded by the Company Secretaries. Board papers and agenda items are to be circulated at least three (3) days prior to the meeting or such other period as deemed appropriate by the Board.

The key roles of the Company Secretaries are to provide unhindered advice and services to the Directors, as and when the need arises to enhance the effective functioning of the Board and to ensure regulatory compliance.

The Directors may seek advice from the Management on issues pertaining to their respective jurisdictions. The Directors may also interact directly with, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from the Management.

As the Group's quarterly results is one of the regular annual schedule matters which is tabled to the Board for approval at the quarterly Board Meetings, memorandum on close period for trading in the Company's securities are circulated to Directors, principal officers and employees who are deemed to be privy to any price-sensitive information in advance whenever the close period is applicable based on the targeted date of announcement of the Group's quarterly results.

The Board has access to the advice and services of the Company Secretaries, who are experienced and capable of carrying out the duties to which the post entails and may upon a written request to the Chairman to obtain independent professional advice at the Company's expense as and when necessary. The removal of Company Secretaries, if any, would be decided by the Board.

Company Secretary

The Company Secretaries provide guidance to the Board on matters pertaining to the Board's responsibilities in order to ensure that they are effectively discharged within relevant legal and regulatory requirements. This includes updating the Board on the Main Market Listing Requirements ("MMLR"), circulars from Bursa Malaysia Securities Berhad ("Bursa Securities") and other legal and regulatory developments and their impact on the Group and its business.

The Company Secretaries attend all Board and Committee meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

Deliberations during the Board and Board Committees meetings were property minuted and documented by the Company Secretaries.

Board Charter

The Board is guide by the Company's Board Charter which sets out, among others, the roles and responsibilities of the Board and the Management. The Board will review this Charter from time to time to ensure it remains consistent with its objectives and existing regulatory requirements. A copy of the Company's Board Charter is available at the Company's website at www.kawanfood.com

PRINCIPLE 2 – STRENGTHEN COMPOSITION

Nominating Committee

The Nominating Committee has three (3) members comprising a Senior Independent Non-Executive Director, an Independent Non-Executive Director and a Non-Independent Non-Executive Director as follows:

- **LIM PENG @ LIM PANG TUN** (Independent Non-Executive Director) (Chairman)
  (redesignated from Nominating Committee Member to Chairman on 24 Feb 2016)
- **CHEN SENG CHONG** (Senior Independent Non-Executive Director) (Member)
  (redesignated from Nominating Committee Chairman to Member on 24 Feb 2016)
- **NARESHCHANDRA GORDHANDAS NAGRECHA** (Member)
  (Non-Independent Non-Executive Director)

The responsibility of the Nominating Committee in overseeing the selection and assessment of directors which is stipulated in its Term of Reference. The Term of Reference of the Nominating Committee is available for reference on the Company website at www.kawanfood.com.

During the financial year under review, two (2) Nominating Committee Meetings were held and attended by all the Nominating Committee Members. The Nominating Committee undertook the following:

- Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retire by rotation pursuant to Company's Articles of Association at forthcoming 13th Annual General Meeting. The Directors standing for retirement by rotation and subject to re-election at the forthcoming Annual General Meeting are Madam Kwan Sok Kay, Mr. Nareshchandra Gordhandas Nagrecha, Mr. Timothy Tan Heng Han and Dr. Nik Ismail Bin Nik Daud;
- Reviewed and assessed the independence of Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun, who has served the Company as Independent Director for more than nine (9) years to continue serving as Independent Director and recommended to the Board for consideration;
- Reviewed and discussed the succession planning of the Company;
- Reviewed and discussed the suitable training programme for continuous development of Directors;
- Reviewed and recommended to the Board for approval, the revised NC's terms of reference in compliance with the latest amendments to the MMLR;
- Assessed the independence of Independent Directors;
- Evaluated the performance and effectiveness of the Board and each individual director;
- Reviewed, assessed and considered the appointment of Mr. Abdul Razak Bin Shakor as Non-Independent Non-Executive Director and recommended the same to the Board for approval; and
- Reviewed, assessed and considered the appointment of Dr. Nik Ismail Bin Nik Daud as an Independent Non-Executive Director and recommended the same to the Board for approval.

Recruitment and Annual Assessment of Directors

The NC is also responsible for assessing the nominees and making recommendations for new appointments to the Board considering the following:

- Skills, knowledge, expertise and experience;
- Professionalism;
- Boardroom diversity (including gender diversity);
- Background, character, competence, time commitment and integrity; and
- In the case of candidates for the position of Independent Non-Executive Directors, the candidates ability to discharge such responsibilities is also evaluated.

The Board is committed to provide fair and equal opportunities and to nurture diversity (including gender, age and ethnicity) within the Group. The actual decision as to who should be nominated will be the responsibility of the full Board after considering the recommendations of the Committee. The Company Secretaries will ensure that all appointments are properly made; all the necessary information is obtained as well as all legal and regulatory obligations are met.

Overall, the Board has no specific policy on gender, age and ethnicity for candidates to be appointed to the Board. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. With the current composition, the Board feels that its members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively. All Directors on the Board have gained extensive experience with their many years of experience on Boards of other companies and/or also as professionals in their respective fields of expertise.

In particular, the Nominating Committee will take steps to include, where appropriate, women candidates as a part of the Board's recruitment exercise. Currently, the Board has one female Non-Independent Executive Director.

The Nominating Committee is also responsible for carrying out assessment of the performance and effectiveness of the Board as a whole, as well as each individual Director on an annual basis. The annual assessment also includes specific assessment of independence of Independent Directors. In addition, the Nominating Committee also makes recommendation to the Board in relation to re-election and re-appointment of Directors.

Any appointment of a new Director to the Board or Board Committee is recommended by NC for consideration and approval by the Board. Pursuant to Section 205 (3) (b) of the Companies Act 2016 and the Company's Articles of Association, one-third of the Directors for the time being shall retire from office at each Annual General Meeting. A retiring Director shall be eligible for re-election. The Company's Articles of Association also provide that all Directors shall retire at least once in three years.

Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next Annual General Meeting held following their appointments.

All Directors have complied with the restrictions on the number of directorships in public listed companies as prescribed under the MMLR. The Directors observe the recommendation of the Code that they are required to notify the Chairman of the Board before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

Remuneration Committee and Remuneration Policies and Procedures

The objective of the Group is to ensure that the Group attracts and retains Directors of calibre to provide the necessary skills and experience as required and commensurate with the responsibilities for the effective management and operations of the Group. The responsibilities for developing the remuneration policy and determining the remuneration packages of Executive Directors lie with the RC. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors.

The Remuneration Committee has four (4) members comprising a Senior Independent Non-Executive Director, two (2) Independent Non-Executive Directors and a Non-Independent Executive Director as follows:

- **GAN THIAM HOCK** (Non-Independent Executive Director) (Chairman)
- **LIM PENG @ LIM PANG TUN** (Independent Non-Executive Director) (Member)
- **CHEN SENG CHONG** (Senior Independent Non-Executive Director) (Member)
- **LIM HUN SOON @ DAVID LIM** (Independent Non-Executive Director) (Member)
  (Appointed on 24 November 2016)

The duties and responsibilities of the RC are as follows:

(a) To recommend to the Board the remuneration of the Executive Directors and Non-Executive Directors in all its forms. The determination of remuneration packages of Executive Directors and Non-Executive Directors, should be a matter for the Board as a whole where the individuals concerned shall abstain from discussion of their own remuneration.
(b) To assist the Board in assessing the responsibility and commitment undertaken by the Board membership.
(c) To assist the Board in ensuring the remuneration of the directors reflects the responsibility and commitment of the director concerned.

During the financial year under review, the RC convened one (1) meeting. The details of attendance of the members of RC at those meetings are as follows:

Committee Members	Number of Meeting Attended during Their Tenure in Office
Gan Thiam Hock	1/1
Lim Peng @ Lim Pang Tun	1/1
Chen Seng Chong	1/1
Lim Hun Soon @ David Lim *(Appointed on 24 November 2016)*	N/A

In respect of the financial year under review, the RC had reviewed the remuneration for the Executive Directors, which reflects the level of risk, responsibility as well as the performance of the Company and considered the packages are well within the industry norm. The RC had also reviewed the fees for Executive Directors and Non-Executive Directors, which reflects the experience and level of responsibilities undertaken by the individual Executive Directors and Non-Executive Director concerned.

The aggregate Directors' remuneration of the Directors of the Company and the Group for the year ended 31 December 2016 are as follows:

Company

	Fees RM'000	Salaries, Bonus, EPF RM'000	Benefits in-kind RM'000	Total RM'000
Executive Directors	252	-	-	252
Non-Executive Directors	352	-	-	352

Group

	Fees RM'000	Salaries, Bonus, EPF RM'000	Benefits in-kind RM'000	Total RM'000
Executive Directors	252	2,884	68	3,204
Non-Executive Directors	352	-	-	352

The number of Directors of the Company who served during the financial year ended 31 December 2016 and whose income derived from the Group falls within the following bands are:

	Executive Directors	Non-Executive Directors
RM100,000 and below	-	7
RM500,001 to RM1,000,000	3	-
RM1,000,001 and above	1	-
Total	4	7

In respect of the non-disclosure of detailed remuneration of each director, the Board views that the transparency of the Directors' remuneration has been appropriately dealt with by the "band disclosure" presented above.

PRINCIPLE 3 – REINFORCE INDEPENDENCE

Annual Assessment of Independent Directors

The Board shall assess the independence of the Independent Directors on an annual basis based on the criteria formulated by the Nomination Committee. As at the date of approval for issuance of this statement, the Board has, on the recommendation of the Nomination Committee, reviewed and assessed the independence of the Independent Directors of the Company for year ended 31 December 2016.

Tenure of an Independent Director

The Board in its Charter had provided that upon completion of nine (9) years, an independent may continue to serve the Board as an Independent Director subject to the assessment of the Nomination Committee, justification by the Board of Directors and approval of the shareholders.

Shareholders' Approval for Retaining Independent Director exceeding Nine (9) years services

MCGG recommends that the board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun have served more than nine (9) years and agreed to be retained as Independent Non-Executive Directors. The Nominating Committee has evaluated their performance and has recommended them to the Board for re-appointment as Independent Non-Executive Director. The Board is satisfied that they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interest of the Company. In view thereof, the approval of the shareholders of the Company will be sought for the re-appointment of Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun as Independent Non-Executive Directors at the Thirteenth Annual General Meeting of the Company.

Separation of Position of Chairman and Managing Director

There is a clear division of responsibilities between the Chairman and MD/CEO to ensure that there is a balance of power and authority, as set out in the Board Charter. The Non-Independent Executive Chairman, Mr. Gan Thiam Chai is responsible for the leaderships, effectiveness, conduct and governance of the Board while the MD/CEO, Mr. Timothy Tan Heng Han, is entrusted by the Board on the daily running of the business and implementation of the Board's policies and decisions.

Composition of the Board

The Board has nine (9) members for the financial year under review, comprising an Executive Chairman, three (3) Non-Independent Executive Directors, two (2) Non-Independent Non-Executive Directors, a Senior Independent Non-Executive Director and three (3) Independent Non-Executive Directors. The profile of each Director is presented on pages 12 to 16 of this Annual Report.

The composition of the Board has complied with the MMLR of Bursa Securities which requires that at least two Directors or one-third (1/3) of the Board members of the Company, whichever is higher, are independent. The concept of independence adopted by the Board is in accordance with the definition of an Independent Director in paragraph 1.01 of the MMLR.

PRINCIPLE 4 – FOSTER COMMITMENT

Time Commitment

During the financial year ended 31 December 2016, the Board met five (5) times, with details of the attendance as follows:

Name of Directors	Number of Meetings Attended
GAN THIAM CHAI Non-Independent Executive Chairman	4/5
TIMOTHY TAN HENG HAN Managing Director	5/5

Name of Directors	Number of Meetings Attended
GAN THIAM HOCK Non-Independent Executive Director	5/5
KWAN SOK KAY Non-Independent Executive Director	5/5
NARESHCHANDRA GORDHANDAS NAGRECHA Non-Independent Non-Executive Director	5/5
ABDUL RAZAK BIN SHAKOR Non-Independent Non-Executive Director *(Appointed on 16 August 2016)*	2/2
CHEN SENG CHONG Senior Independent Non-Executive Director	5/5
LIM HUN SOON @ DAVID LIM Independent Non-Executive Director	5/5
LIM PENG @ LIM PANG TUN Independent Non-Executive Director	5/5
SOO YOKE MUN *Independent Non-Executive Director* *(Retired at Annual General Meeting on 31 May 2016)*	3/3
JAYENDRA JANARDAN VED *Non-Independent Non-Executive Director* *(Resigned on 15 August 2016)*	3/3

Director shall devote sufficient time to carry out their responsibilities. Directors shall notify the Chairman before accepting any new directorships and the notification shall provide for an indication of time that will be spent on the new appointment.

Save for Mr. Lim Hun Soon @ David Lim and Dr. Nik Ismail Bin Nik Daud, the Directors do not have directorship in any other listed companies. As for Mr. Lim Hun Soon @ David Lim and Dr. Nik Ismail Bin Nik Daud, both of them have complied with the MMLR of Bursa Securities that they do not hold more than five (5) directorships in listed companies.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling the roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at Board meetings.

Continuing Education Programmes

The Board, via the NC, assesses the training needs of each of its Directors on an ongoing basis, by determining areas that would best strengthen their contributions to the Board.

All the Directors of the Company have attended the Mandatory Accreditation Programme ("MAP"). New Directors will be briefed on the Company's history, operations and financial control system and plant visit to enable them to have in-depth understanding of the Company's operations. The Senior Management had also briefed the Directors on general economic, industry and technical developments from time to time.

The Directors are encouraged to attend continuous education programmes and seminars to keep abreast of relevant changes in laws and regulations and the development in the industry. During the financial year ended 31 December 2016, the training programmes and seminars attended by the Directors are as follows:

Directors	Courses/Seminar/Conference
GAN THIAM CHAI	• Leadership Excellence From The Chair • 2017 Budget Seminar
TIMOTHY TAN HENG HAN	• The Strategy, The Leadership, The Stakeholders And The Board
GAN THIAM HOCK	• The Interplay Between CG, Non-Financial Information (NFI) And Investment Decision
KWAN SOK KAY	• 2017 Budget Seminar
ABDUL RAZAK BIN SHAKOR	• Mandatory Accreditation Programme (MAP) For Directors Of Public Listed Companies
CHEN SENG CHONG	• Important Of Sustainability And Reassessing Company Readiness Towards Business Disruptions. • The Interplay Between CG, Non-Financial Information (NFI) And Investment Decision • Rethinking Independent Directors – A New Frontier
LIM HUN SOON @ DAVID LIM	• Industry Briefing On Directors Register Implementation • 1st Distinguished Board Leadership Series – Cyber-Risk Oversight • MFRS/FRS Update 2015/2016 (Run 2) • Fraud Risk Management • 2nd Distinguished Board Leadership Series – Avoiding Financial Myopia • Dialogue With Deputy Governor On The Corporate Governance Concept Paper • Risk Management Workshop On Cyber-Security And Fraud • Directors Risk Management Programme – I Am Ready To Manage Risk! • Navigating Through Shifting Sands • Leadership Excellence From The Chair • FinTech's Impact On Financial Institutions • Cybersecurity Workshop
NARESHCHANDRA GORDHANDAS NAGRECHA	• Running A Profitable Business: Understanding Financial Ratios.
LIM PENG @ LIM PANG TUN	• Rethinking Independent Directors - A New Frontier • Malaysian Economy And Market Outlook 2H2016
DR. NIK ISMAIL BIN NIK DAUD	• Focus Group Discussion With F&B Manufacturing Industry • 18th World Congress In Food Science And Technology

The Directors will continue to attend relevant training courses to further enhance their skills and knowledge to enable them to discharge their responsibilities more effectively.

The Company Secretaries facilitate the organisation of internal training programmes and keep Directors informed of relevant external training programmes. The Company Secretaries also circulate the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and brief the Board quarterly on these updates at Board meetings.

The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards ("MFRS") that affect the Group's financial statements during the year.

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

The Board aims to present a balanced, clear and meaningful assessment of the Company's financial position and prospects in all their reports to the shareholders, investors and regulatory authorities. This assessment is primarily provided through the annual financial statements and quarterly announcements of financial results to the shareholders as well as the Management Discussion and Analysis in the Annual Report.

The Board is assisted by the AC to oversee the Group's financial reporting processes and the quality of its financial reporting and to ensure that the financial statements of the Group comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements. A statement by the Board of its responsibilities as set out on page 45 of this Annual Report.

Assessment of Suitability and Independence of External Auditors

The Audit Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. The composition of the Audit Committee, including its roles and responsibilities are set out in pages 38 to 39 under the Audit Committee Report in this Annual Report

The Board upholds the integrity of financial reporting. The Audit Committee is entrusted to provide advice and assistance to the Board in fulfilling its statutory and fiduciary responsibilities relating to the Company's internal and external audit functions, risk management and compliance systems and practice, financial statements, accounting and control systems and matters that may significantly impact the financial condition or affairs of the business. The Audit Committee is also responsible in ensuring that the financial statements of the Company comply with the applicable financial standards in Malaysia.

The Audit Committee members reviewed the Company's financial statements in the presence of External Auditors prior to recommending them for the Board's approval and issuance to stakeholders.

The Board recognised the value of an effective Audit Committee in ensuring that the Company's financial statements are reliable source of financial information by establishing procedures, via the Audit Committee.

In safe guarding and supporting External Auditors' independence and objectivity, the Company will establish an External Auditors Policy to spell out the selection process of new external auditors, basic principles on the prohibition of non-audits services and the approval process for the provision of non-audit services.

The Board was of view that the objectivity and independence of the External Auditors are not in any way impaired by reason of the non-audit services provided to the Group.

The External Auditors has confirmed in writing that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISK

Establishment of a sound Framework to Manage Risks

The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework policy and overseeing the Company's strategic risk management and internal control framework.

The Audit Committee assists the Board in discharging these responsibilities by overseeing and reviewing the risk management framework and the effectiveness of risk management of the Company. The Audit Committee processes are designed to establish a proactive framework and dialogue in which the Audit Committee, the Management and External and Internal Auditors review and assess the risk management framework. The Company Internal Risk Management Committee reports to the Audit Committee at least two times a year or other higher frequency where required.

Details on the risk management and internal control system of the Group are set out in the Statement on Risk Management and Internal Control of this Annual Report.

Establishment of an Internal Audit Function

The Group has outsourced the internal audit function to a professional service firm which is independent of the activities and operations of the Group. The outsourced internal auditors report directly to the Audit Committee. Details on the internal audit function are set out in the Audit Committee Report and the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Appropriate Corporate Disclosure Policies and Procedures

The Group is committed to a policy which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed an orderly market decisions by investors.

Importance is also placed on timely and equal dissemination of material information to the stakeholders, media and regulators. In this respect, the Group has in place a Corporate Disclosure Policy to ensure that comprehensive, accurate and timely disclosures are provided to shareholders and stakeholders.

Leverage on information Technology for Effective Dissemination of Information

The Company has established a website at www.kawanfood.com from which shareholders as well as members of the public may access the latest information on the operations and activities of the Group as well as the information required by Bursa Securities.

The Company ensures timely release of the financial results on a quarterly basis to provide an overview of the Group's performance and operations to its shareholders. The Company also makes timely announcements for the information of its shareholders and the general public of any corporate maneuvers in accordance with the MMLR.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage Shareholder Participation at General Meetings

The Annual General Meeting is the principal forum for dialogue with shareholders. Notice of Annual General Meeting together with the copy of the Company's Annual Report will be sent to shareholders at least twenty one (21) days prior to the meeting. Shareholders who are unable to attend are allowed to appoint proxies to attend, speak and vote on their behalf.

Shareholders' meeting are important events for the Board to meet the shareholders. The Chairman would allocate sufficient time to encourage the shareholders, proxies and the corporate representatives to ask questions pertaining to the matters tabled at general meetings. The Board, Management team and the Company's external auditors are present to answer questions raised and provide clarification as required by the shareholders, proxies and corporate representatives.

Poll Voting

The Board noted that pursuant to Paragraph 8.29A of MMLR, the Company must ensure that any resolution set out in the Notice of any general meeting is to be voted by poll. Also, the Recommendation 8.2 of MCCG 2012 states that the Board should encourage poll voting.

The Board will continue to adopt poll voting for all resolutions set out in the Notice of the Annual General Meeting of which the votes cast will be validated by an independent scrutineer. The outcome of all resolutions proposed at the Annual General Meeting is to be announced to Bursa Securities at the end of the meeting day while a summary of the key matters discussed at the Annual General Meeting shall be published on the Company's website as soon as practicable after the conclusion of the Annual General Meeting.

Effective Communication and Proactive Engagements with Shareholders

The Board recognises the importance of maintaining transparency and accountability to its shareholders as a key element of good corporate governance and thus, maintains a high level of disclosure and communication with its shareholders through disclosure to Bursa Securities and to the press.

The Board will put in place a Corporate Disclosure Policy and Procedure to ensure compliance with the disclosure requirements as stipulated in the MMLR and also to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.

The Company's website, www.kawanfood.com is accessible by the shareholders, investors and members of the public to obtain information on the Company's press releases, corporate information, operation activities and financial performance.

Directors' Responsibility Statement

The Board is required to present the financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs, the results and cash flows of the Group and the Company.

The Board is satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2016, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable prudent judgement and estimates, adopted to include new and revised MFRSs where applicable. The Board is also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The Board has also taken all such necessary steps to ensure that proper internal controls are in place to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

This Statement was approved by the Board on 17 April 2017.

Audit Committee Report

The objective of the Audit Committee ("AC") is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In Addition, the AC shall

(a) Oversee and appraise the quality of the audits conducted both by the Company's Internal and External Auditors;

(b) Maintain open lines of communication between the Board of Directors, the Internal Auditors and the External Auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and

(c) Determine the adequacy of the Group's administrative, operating and accounting controls.

Members

The AC comprises the following members:

Name	Designation	Directorship
Lim Hun Soon @ David Lim* *(Appointed as Chairman and Member on 24 February 2016)*	Chairman	Independent Non-Executive Director
Chen Seng Chong	Member	Senior Independent Non-Executive Director
Lim Peng @ Lim Pang Tun* *(Re-designated from Chairman to Member on 24 February 2016)*	Member	Independent Non-Executive Director
Soo Yoke Mun *(Retired at Annual General Meeting on 31 May 2016)*	Member	Independent Non-Executive Director

*Member of the Malaysian Institute of Accountants (MIA).

The terms of reference of the AC is available for reference on the Company's website at www.kawanfood.com.

Details Of Attendance At AC Meetings During The Financial Year Ended 31 December 2016

Number of AC Meetings held for the financial year: Five (5)
Attendance of the AC members are shown below:

Committee Members	Number of Meeting Attended during Their Tenure in Office
Lim Hun Soon @ David Lim *(Appointed as Chairman and Member on 24 February 2016)*	5/5
Chen Seng Chong	5/5
Lim Peng @ Lim Pang Tun	5/5
Soo Yoke Mun *(Retired at Annual General Meeting on 31 May 2016)*	3/3

Summary Of Works

During the financial year, the AC had carried out its duties and responsibilities in accordance with its terms of reference. The works of the AC were summarised as per below:

1. Reviewed the quarterly financial statements and the final audited financial statements before recommending to the Board of Directors ("Board") for considering and approval prior to release to Bursa Malaysia Securities Berhad ("Bursa Securities").

2. Assessed the external auditors' findings in relation to audit and accounting issues arising from the audit of the Group's financial statements and updates on the changes in the reporting of financial statements as at 31 December 2016.
3. Reviewed the Audit Planning Memorandum with the external auditors.
4. Reviewed the independence, objectivity and effectiveness of the external auditors and the services provided, including non-audit services and corresponding fees.
5. Reviewed and recommended the re-appointment of External Auditors and the Audit Fees to the Board for its approval.
6. Discussion of audit strategy and plan with the internal and external auditors.
7. Conducted two private sessions with the external auditors in the absence of the Executive Directors and Management to ensure there were no restrictions and the scope of their audit is in line with the Malaysia Code of Corporate Governance 2012.
8. Examined the findings of the internal auditors and management's response.
9. Reviewed of the report of the external auditors, Messrs. Cheng & Co.
10. Overseeing the Group's system of internal control and the risk management. AC continues to monitor and review the effectiveness of the system of control and risk management with the support of the internal auditor and risk management working committee.
11. Reviewed the adequacy of the scope, function, competency and resources of the internal audit functions;
12. Reviewed the related party transactions entered into by the Company and the disclosure of such transaction in the annual report of the Company.
13. Reviewed the Terms of Reference of the Audit Committee prior to the recommendation to the Board of Directors for adoption.
14. Reviewed the Corporate Governance Statement, AC Report and Statement on Risk Management and Internal Control prior to submission to the Board for consideration and approval for inclusion in the Annual Report 2016.
15. Reported to the Board on significant issues and concerns discussed during the AC meetings together with applicable recommendations. Minutes of the AC meetings were tabled and noted by the Board.
16. Reviewed the Management Discussion and Analysis for the financial year ended 31 December 2016.

Internal Audit Function

The internal audit function of the Company has been outsourced to MESSRS AUDEX GOVERNANCE SDN. BHD. an independent professional firm, which assists the Audit Committee in discharging its duties and responsibilities. They act independent with due professional care and report directly to the AC.

During the financial year under review, the Internal Audit Function carried out the following for both Malaysia and China operation:

a) Executed internal control reviews in accordance with the approved risk based internal audit plan. The business processes reviewed are as follows:

- Sales Commission Entitlement and Payout Practices
- Disbursement in relation to Sales Commission
- Maintenance of the Sales/Distributor Agreement signed with the Customers
- Cash Term/Sundry Customers' Sales Processing
- Formal Documentation on the Special Price Adjustment
- Credit Assessment and Periodic Credit Evaluation
- Trade Debtor Aging
- Accounting Journey Vouchers
- Policies and Procedures

b) Performed follow-up review to ensure that corrective actions have been taken in a timely manner.

The results of the abovementioned work carried out by the internal audit function were tabled to the AC at their scheduled meetings.

The cost incurred for the Internal Audit Function of the Group in respect of the financial year ended 31 December 2016 amounted to RM67,000.

An overview of the state of internal control within the Company is set out in the Statement on Risk Management and Internal Control on pages 41 to 44 of this Annual Report.

Additional Compliance Information pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest which were still subsisting as at the end of the financial year ended or which were entered into since the end of the previous financial year (not being contracts entered into in the ordinary course of business) except as disclosed below and in Note 30 to the financial statements under "Related Parties" on pages 112 to 113 of this Annual Report.

Audit And Non-Audit Fees

During the financial year ended 31 December 2016, the amount of audit and non-audit fees paid by the Company and the Group to the external auditors are as follows:

	Company (RM)	Group (RM)
Audit services rendered	30,000	220,301
Non-audit services rendered	2,500	2,500
Total	32,500	222,801

Utilisation Of Proceeds

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2016.

Recurrent Related Party Transactions Of Revenue Or Trading Nature

At the Twelfth Annual General Meeting ("AGM") held on Tuesday, 31 May 2016, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature. The disclosure of the recurrent related party transactions conducted during the financial year ended 31 December 2016 is set out on page 112 of the Annual Report.

Statement on Risk Management and Internal Control

Introduction

The Board is pleased to provide Kawan Food Berhad Group's Statement on Risk Management and Internal Control which outlines the nature and scope of its risk management and internal controls of the Group during the financial year ended 31 December 2016. This Statement has been prepared pursuant to paragraph 15.26 (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Board Responsibility

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, at a meeting held on 17 April 2017, the Board has also received assurance from the Managing Director and Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system put into effect by Management is designed to reduce severity of material risk to manageable levels and reduce severity of major risk rather than eliminate risks that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

Key Features of the Group's Risk Management and Internal Control System

1. Risk Management

The Board has established a structured Risk Management Framework to facilitate the Group's objective to identify, evaluate and manage significant business risk. The framework includes examining of business risks, assessing impact and likelihood of risks and implementing management action plans to mitigate and minimise risk exposures.

The Risk Management Working Committee ("RMWC") monitors and reviews the risk management activities, and reports to the Audit Committee. During the financial year ended 31 December 2016, the RMWC met on 25 July 2016 and 23 December 2016 to deliberate on the risk assessment and the corresponding treatment plan. On 24 November 2016, the appointed Group Risk Officer tabled the Group Risk Management Report to the Audit Committee at their scheduled meeting.

The Risk Management Framework was also reviewed by the internal audit function and recommendations to enhance the risk management procedures were reported to the Audit Committee at their scheduled meeting held on 24 November 2016.

The Board acknowledges that maintaining a sound system of risk management is founded on a clear understanding and appreciation of the following key elements of the Group's risk management framework:

- A risk management structure which outlines the lines and responsibilities at different levels, i.e. the Board, Audit Committee and Management.
- Identification of material risks (present and potential) in the Group and Management's action of plan to mitigate these risks;
- Risk appetite and parameters for the Group have been articulated to RMWC to gauge acceptability of risk exposure; and
- Brainstorming of mitigation action plans to address risk and control issues and monitor results on an on-going basis.

The abovementioned risk management activities of the Group serve as the on-going process in place to identify, evaluate and manage risks. This process has been in place for the year under review and up to approval the date of of this statement.

2. Material Risks

Some of the material risks identified by the RMWC for the financial year 2016 are outlined below:

(i) Information Technology Management:
The risk of loss of critical information, business disruption and potential loss of business and competitive edge due to failure or inadequacy of IT in safeguarding its infrastructure, security, applications and/or computer operations.

Risk control in place:
- Implementation of password protected logon procedures.
- Installation of firewall protection and anti-virus software.
- Storage of back up data in a secure off-site premise.
- Monitor software licenses in compliance with regulatory requirements.

(ii) Currency:
The risk of loss as a result of unfavourable movements of the foreign exchange rate.

Risk control in place:
- Enter into forward exchange contracts, where appropriate, to manage the exposure to foreign currency.

(iii) Human Resource Management:
The risk of failure to attract and retain resources to meet future business needs which will lead to operational disruption.

Risk control in place:
- Career development plan through identification of key competencies needed for the positions and training provided.
- Re-visit and review the terms and benefits of employment in-line with the relocation of factory.
- Implement an assimilation program to ease new employees in adapting to new working environment.

(iv) Quality Assurance Management:
Product quality risks that impact to earnings, business operations, brand and reputation.

Risk control in place:
- Implementing reward and penalty program.
- Implement robust food quality and safety system.
- Training programme for all staff according to their roles and responsibilities.

(v) Sabotage/Malicious actions:
The risk of damage or loss to company's reputation and brand due to intentionally disruptive actions, integrity issue, malicious actions and breach of trust.

Risk control in place:
- Establish grievance policy.
- Communicating the consequences and imposing of penalties.
- Installation of additional CCTV at storage and critical production area.
- Whistleblowing policy which includes disciplinary action against committing improprieties and illegal acts and protection to whistleblower.

(vi) Regulatory Management:
Failure to meet all relevant statutory/regulatory requirements and strictly adherence to food safety and quality management system that comply to Halal, British Retail Consortium ("BRC"), Occupational Safety and Health Administration ("OSHA") and MOH MS1480 HACCP certifications will have adverse impact on the company business and reputation.

Risk control in place:
- Conducting regular internal audit by relevant committees.
- Monitor suppliers' compliance via their latest halal certificate.
- Provide training for new committee members.
- Update committee members on the latest updates on respective regulations.
- Halal assurance system is remain in compliance with the standard.

3. Internal Audit Function

The Group's internal audit function is outsourced to a professional services firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. They report directly to the Audit Committee.

During the financial year ended 31 December 2016, internal audits were carried out in accordance with the risk based internal audit plan approved by the Audit Committee. The business process reviewed were recurrent related party transactions process of Kawan Food Berhad, sales and marketing, and credit control processes of Kawan Food (Nantong) Co., Ltd. The results of the audit reviews were discussed with Senior Management and subsequently, the audit findings, including the recommendations for improvement were reported to the Audit Committee at the quarterly meetings.

A follow up review on previous audit areas of Kawan Food (Nantong) Co., Ltd. was conducted to ensure that corrective risk mitigation actions have been implemented in a timely manner and the results of the follow up review was also reported to the Audit Committee in the quarterly meetings.

Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in the annual report.

Total professional fees paid for outsourcing of internal audit function for the year ended 31 December 2016 was RM67,000.

In addition, the internal auditors and the external auditors met with the Audit Committee on 24 November 2016 without the presence of Executive Board Members and Management team to discuss audit related matters.

4. Internal Control System

- **The Board and Audit Committee**
  The Board and Audit Committee met at five times during the financial year to ensure that the Directors maintain full and effective control on all significant and operational issues.

- **Organisational Structure and Authorisation Procedures**
  The Group has a formally defined organisation structure that sets out lines of accountability. The delegation of authority is documented and sets out the decisions that need to be taken and the appropriate authority levels of management, including matters that require the Board's approval. Key financial and procurement matters of the Group required the authorisation from the relevant level of management.

- **Periodical and/or Annual Budget**
  An annual budget is prepared by management and tabled to the Board for approval which will be used by management for monitoring against actual performance.

- **Group Policies and Procedures**
  Documented policies and procedures are in place and are regularly reviewed and updated to ensure that these maintains its relevance and continue to support the Group's business activities at all time as the Group continues to grow.

- **Human Resource Policy**
  Comprehensive guidelines on employment is in place to ensure that the Group employees are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.

- **Information and Communication**
  Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

- **Monitoring and Review**
  Scheduled Operations Committee Meetings are held by the management to review and evaluate any issue that has impact on the Group or its stakeholders. Management accounts containing key financial results and operational performance are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review, consideration and approval.

- **External Certification**
  There was one (1) surveillance audit conducted in respect of British Retail Consortium ("BRC") Global Standard for Food Safety in January 2016 by Lloyd's Register Quality Assurance ("LRQA") and the company had managed to achive grade A.

  BRC specifies the safety, quality and operational criteria required to be placed within a food manufacturing organisation to fulfill obligations with regard to legal compliance and protection of the consumers. The format and content of the Standard is designed to allow an assessment of a company's premises, operational systems and procedures by a competent third party – the certification body – against the requirements of the Standard.

There was another surveillance audit conducted in respect of MS1480-HACCP for Food Safety in March 2016 by the Malaysian Ministry of Health. The Company had also passed the audit with no major findings. MS1480:2007 (First Revision) is a Malaysia food safety standard which describes the requirements for food safety according to HACCP system to ensure the safety of foodstuffs during preparation, processing, manufacturing, packaging, storage, transportation, distribution, handling or offering for sale or supply in any sector of the food chain. The certification is awarded based on compliance and follow-up audits by selected MOH auditors. Been awarded MS1480 certification enabled the company to expedite the issuance of Health Certificate without end product testing but meet the global requirement with HACCP on food safety.

Internal audits were also carried out in October 2016 by the appointed service provider and agendas covered were comprehensive to cover for elements of BRC and MS1480-HACCP.

The Group's system of risk management and internal control applies principally to Kawan Food Berhad and its subsidiaries. Jointly controlled company has been excluded because the Group does not exercise full management control in the entity. However, there is Board representation in the jointly controlled company.

CONCLUSION

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require separate disclosure in the Group's annual report. Nevertheless, the Board shall continue to take the appropriate and necessary measures to improve the Group's risk management and internal controls systems in meeting the Group's corporate objectives.

This Statement was approved by the Board of Directors on 17 April 2017.

Statement on Directors' Responsibility

The Board of Directors is required under Paragraph 15.26(a) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement explaining the Board's responsibility in preparing the annual financial statements.

In preparing the annual financial statements of the Company and the Group, the Directors are collectively responsible to ensure that these financial statements have been properly drawn up in accordance with the applicable approved Malaysian Financial Reporting Standard issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965 ("the Act") so as to give a true and fair view of the financial position of the Company and the Group at the end of the financial year and the financial performance and cash flows of the Company and the Group for the year then ended.

In preparing the financial statements for the year ended 31 December 2016, the Directors have:

(i) adopted appropriate accounting policies and applied them consistently;
(ii) made judgements and estimates that are reasonable and prudent;
(iii) prepared financial statements on the going concern basis; and
(iv) ensured applicable accounting standards have been followed, subject to any material departure and explained in explained in the financial statements.

The Directors have responsibility for ensuring that the proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 17 April 2017.

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Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 7 to the financial statements. There have been no significant changes in the nature of the activities during the financial year.

RESULTS

	Group	Company
	RM	RM
Net profit for the financial year attributable to:		
Owners of the Company	32,981,617	10,191,786

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company declared and paid:

- an interim single tier dividend of 2.5 sen per ordinary share totalling RM5,759,355 in respect of the financial year ended 31 December 2016 and paid on 22 April 2016; and
- a special single tier dividend of 3.5 sen per ordinary share totalling RM9,437,397 in respect of the financial year ended 31 December 2016 and paid on 28 December 2016.

The Directors do not recommend any final dividend to be paid for the financial year under review.

DIRECTORS

Directors who have held office since the date of the last report are:

Gan Thiam Chai
Timothy Tan Heng Han
Gan Thiam Hock
Kwan Sok Kay
Nareshchandra Gordhandas Nagrecha
Jayendra Janardan Ved (resigned on 15 August 2016)
Chen Seng Chong
Lim Hun Soon @ David Lim
Lim Peng @ Lim Pang Tun
Soo Yoke Mun (retired at the Annual General Meeting on 31 May 2016)
Abdul Razak Bin Shakor (ceased as alternate Director to Jayendra Janardan Ved on 15 August 2016 and appointed as Director on 16 August 2016)
Dr Nik Ismail Bin Nik Daud (appointed on 2 January 2017)

DIRECTORS' INTERESTS

The interests and deemed interests in the shares and warrants of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
The Company				
Direct interests				
Gan Thiam Chai	55,602,991	4,800,001	-	60,402,992
Timothy Tan Heng Han	67,500	33,750	-	101,250
Gan Thiam Hock	15,200,200	800,000	-	16,000,200
Kwan Sok Kay	9,090,750	3,317,979	-	12,408,729
Chen Seng Chong	407,500	68,750	-	476,250
Lim Peng @ Lim Pang Tun	225,000	112,500	-	337,500
Lim Hun Soon @ David Lim	-	7,595,021	-	7,595,021
Deemed interests				
Gan Thiam Chai	193,575	96,787	-	290,362
Timothy Tan Heng Han	193,575	96,787	-	290,362
Kwan Sok Kay	193,575	96,787	-	290,362
Nareshchandra Gordhandas Nagrecha	47,792,500	9,100,000	-	56,892,500

	Number of warrants 2011/2016			
	At 1.1.2016	Bought	Sold/ Exercised	At 31.12.2016
The Company				
Direct interests				
Gan Thiam Chai	29,970,001	-	(29,970,001)	-
Timothy Tan Heng Han	33,750	-	(33,750)	-
Gan Thiam Hock	3,250,000	-	(3,250,000)	-
Kwan Sok Kay	7,545,375	-	(7,545,375)	-
Chen Seng Chong	68,750	-	(68,750)	-
Lim Peng @ Lim Pang Tun	112,500	-	(112,500)	-
Lim Hun Soon @ David Lim	-	7,358,721	(7,358,721)	-
Deemed interests				
Gan Thiam Chai	96,787	-	(96,787)	-
Timothy Tan Heng Han	96,787	-	(96,787)	-
Kwan Sok Kay	96,787	-	(96,787)	-
Nareshchandra Gordhandas Nagrecha	9,100,000	-	(9,100,000)	-

DIRECTORS' INTERESTS *continued*

By virtue of their interests in the shares of the Company, Gan Thiam Chai and Nareshchandra Gordhandas Nagrecha are also deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2016 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or fixed salaries of a full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors, and the spouse of a Director and children of certain Directors who have significant financial interests in companies which traded with certain companies within the Group in the ordinary course of business as disclosed in Note 30 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

The issued and paid-up ordinary share capital of the Company was increased from RM104,838,773 to RM134,819,910 during the financial year through the issuance of shares of 59,962,275 ordinary shares of RM0.50 each from the conversion of 59,962,275 warrants at an exercise price of RM0.93 per warrant from 4 January 2016 to 18 August 2016. These new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

OPTION GRANTED OVER UNISSUED SHARES

No options have been granted to any parties to take up unissued shares of the Company during the financial year.

No shares have been issued during the financial year by virtue of the exercise of any options to take up unissued shares of the Company. At the end of the financial year, there were no unissued shares of the Company under options.

WARRANTS

On 28 July 2011, the Company issued 60,000,000 free warrants on the basis of one (1) free warrant for every two (2) existing ordinary shares of RM0.50 each held by the entitled shareholders of the Company. The warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 3 August 2011.

The terms of the warrants are as disclosed in Note 14 to the financial statements.

The exercise price was adjusted from RM1.40 to RM0.93 and additional 29,216,659 warrants were issued arising from the adjustments from the bonus issue of shares on 22 December 2014. These additional warrants issued were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 23 December 2014.

During the current financial year, 59,962,275 of the Warrants 2011/2016 were converted to ordinary shares. The balance of the outstanding Warrants 2011/2016 of 359,865 has lapsed on 28 July 2016.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no bad debts to be written off and that no allowance for doubtful debts is required; and
b) to ensure that any current assets which were unlikely to realise their values in the ordinary course of business as shown in the accounting records of the Group and of the Company had been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances:

a) which would render it necessary to write off of bad debts or the making of allowance for doubtful debts in the financial statements of the Group and of the Company; or
b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
c) which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
b) any contingent liability of the Group and of the Company which has arisen since the end of financial year.

In the opinion of the Directors:

a) other than those disclosed in Note 31 to the financial statements, no contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.
b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

SUBSEQUENT EVENTS

Significant events subsequent to the reporting date are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Messrs. Cheng & Co, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Gan Thiam Chai
Director

Gan Thiam Hock
Director

Selangor,
Date: 17 April 2017

Statement By Directors

We, Gan Thiam Chai and Gan Thiam Hock, being two of the Directors of Kawan Food Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 58 to 114 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out in Note 33 to the financial statements on page 115 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Gan Thiam Chai
Director

Gan Thiam Hock
Director

Selangor,
Date: 17 April 2017

Statutory Declaration

I, Teoh Soon Tek, being the officer primarily responsible for the financial management of Kawan Food Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements of the Company set out on pages 58 to 115 are correct and I made this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Puchong in the State of Selangor Darul Ehsan
on 17 April 2017

Before me,

Teoh Soon Tek
Officer

Independent Auditors' Report to the Members of Kawan Food Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kawan Food Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 58 to 114.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conducts and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matter to be communicated in our report.

Additions of Property, Plant and Equipment

Refer to page 80, Note 4 to the financial statements

Area of focus	How the scope of our audit addressed the area of focus
We focused on this area because the Group invested significant amount of property, plant and equipment. During the year, the Group purchased property, plant and equipment amounting to RM56,557,526. In view of significant amount involved, we have checked the accuracy of the recording and the existence of these assets.	To address this risk, the following audit procedures have been undertaken: - We have performed necessary primary substantive testing to verify these additions during the year; and - We have also performed physical sighting and obtained business rationale on all major additions of property, plant and equipment.

We have determined that there are no key audit matters to communicate in our report in relation to our audit of the financial statements of the Company.

Report on the Audit of the Financial Statements *continued*

Information Other Than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Chairman's Statement and Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

Report on the Audit of the Financial Statements *continued*

Auditor's Responsibilities for the Audit of the Financial Statements *continued*

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements, being accounts that have been included in the consolidated accounts.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on Note 33 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant of Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

CHENG & CO
AF: 0886
Chartered Accountants

YAP PENG BOON
02118/12/2018 (J)
Chartered Accountant

Kuala Lumpur,
Date: 17 April 2017

Statements of Financial Position

As at 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**201,634,421**	152,519,023	-	-
Investment properties	5	**2,613,423**	2,681,166	-	-
Prepaid lease payments	6	**3,317,239**	3,483,319	-	-
Investment in subsidiaries	7	-	-	**62,289,985**	61,137,460
Deferred tax assets	9	**277,664**	188,382	-	-
Trade and other receivables	10	-	-	**4,936,250**	4,726,700
		207,842,747	158,871,890	**67,226,235**	65,864,160
Current assets					
Other investments	11	**1,167,716**	1,615,649	-	-
Inventories	12	**12,909,270**	9,392,505	-	-
Current tax assets		**929,797**	1,671,029	**21,200**	-
Trade and other receivables	10	**48,518,579**	38,819,755	**93,973,870**	57,793,045
Prepayments		**169,144**	157,535	**11,005**	-
Cash and cash equivalents	13	**80,439,204**	63,018,086	**24,459,715**	11,802,753
		144,133,710	114,674,559	**118,465,790**	69,595,798
Total assets		**351,976,457**	273,546,449	**185,692,025**	135,459,958
EQUITY AND LIABILITIES					
Equity					
Share capital	14	**134,819,910**	104,838,773	**134,819,910**	104,838,773
Reserves	15	**156,613,288**	111,966,850	**50,806,545**	30,027,733
Total equity		**291,433,198**	216,805,623	**185,626,455**	134,866,506
Liabilities					
Non-current liabilities					
Loans and borrowings	16	**20,225,634**	25,357,511	-	-
Deferred tax liabilities	9	**290,936**	58,536	-	-
		20,516,570	25,416,047	-	-
Current liabilities					
Loans and borrowings	16	**3,622,501**	1,074,334	-	-
Trade and other payables	17	**34,956,515**	27,934,446	**65,570**	572,732
Current tax liabilities		**1,447,673**	2,315,999	-	20,720
		40,026,689	31,324,779	**65,570**	593,452
Total liabilities		**60,543,259**	56,740,826	**65,570**	593,452
Total equity and liabilities		**351,976,457**	273,546,449	**185,692,025**	135,459,958

The accompanying notes form an integral part of these financial statements

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Revenue	18	**186,948,060**	165,773,327	**5,000,000**	7,800,002
Cost of sales		**(99,143,422)**	(89,214,888)	-	-
Gross profit		**87,804,638**	76,558,439	**5,000,000**	7,800,002
Other income		**3,606,943**	8,631,188	**1,767,722**	7,407,072
Selling and distribution expenses		**(33,600,007)**	(29,082,877)	-	-
Administrative expenses		**(16,820,494)**	(15,902,948)	**(1,071,666)**	(901,224)
Profit from operating activities		**40,991,080**	40,203,802	**5,696,056**	14,305,850
Finance income	20	**983,100**	340,989	**5,350,498**	3,258,188
Finance costs	21	**(434,486)**	(410,091)	**(213)**	(59)
Profit before tax	19	**41,539,694**	40,134,700	**11,046,341**	17,563,979
Income tax expense	22	**(8,558,077)**	(8,100,180)	**(854,555)**	(565,062)
Net profit for the year		**32,981,617**	32,034,520	**10,191,786**	16,998,917
Other comprehensive income, net of tax:					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations	23	**1,077,795**	8,588,181	-	-
Total comprehensive income for the year		**34,059,412**	40,622,701	**10,191,786**	16,998,917
Net profit attributable to owners of the Company		**32,981,617**	32,034,520	**10,191,786**	16,998,917
Total comprehensive income attributable to owners of the Company		**34,059,412**	40,622,701	**10,191,786**	16,998,917

		2016	2015
		sen	sen
Earnings per ordinary share:			
Basic	24	**13.25**	16.38
Diluted	24	**13.25**	13.83

The accompanying notes form an integral part of these financial statements

Statements of Changes in Equity

For the financial year ended 31 December 2016

		Attributable to owners of the Company		
		Non-distributable		
		Share capital	Share premium	Translation reserve
Group	**Note**	**RM**	**RM**	**RM**
At 1 January 2015		91,174,546	-	5,317,723
Net profit for the financial year		-	-	-
Other comprehensive income for the financial year		-	-	8,588,181
Total comprehensive income for the financial year		-	-	8,588,181
Contributions by and distributions to owners				
- issuance of shares pursuant to warrant conversion	14	13,664,227	11,751,235	-
- dividends to owners of the Company	25	-	-	-
Changes in interests in a subsidiary		-	-	-
At 31 December 2015/1 January 2016		104,838,773	11,751,235	13,905,904
Net profit for the financial year		-	-	-
Other comprehensive income for the financial year		-	-	1,077,795
Total comprehensive income for the financial year		-	-	1,077,795
Contributions by and distributions to owners				
- issuance of shares pursuant to warrant conversion	14	29,981,137	25,783,778	-
- dividends to owners of the Company	25	-	-	-
At 31 December 2016		134,819,910	37,535,013	14,983,699

The accompanying notes form an integral part of these financial statements

Distributable			
Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
RM	RM	RM	RM
57,932,328	154,424,597	(5,160)	154,419,437
32,034,520	32,034,520	-	32,034,520
-	8,588,181	-	8,588,181
32,034,520	40,622,701	-	40,622,701
-	25,415,462	-	25,415,462
(3,657,137)	(3,657,137)	-	(3,657,137)
-	-	5,160	5,160
86,309,711	216,805,623	-	216,805,623
32,981,617	32,981,617	-	32,981,617
-	1,077,795	-	1,077,795
32,981,617	34,059,412	-	34,059,412
-	55,764,915	-	55,764,915
(15,196,752)	(15,196,752)	-	(15,196,752)
104,094,576	291,433,198	-	291,433,198

Statements of Changes in Equity

For the financial year ended 31 December 2016

		Non-distributable		Distributable	
		Share capital	Share premium	Retained earnings	Total
Company	**Note**	**RM**	**RM**	**RM**	**RM**
At 1 January 2015		91,174,546	-	4,934,718	96,109,264
Total comprehensive income for the financial year		-	-	16,998,917	16,998,917
Contributions by and distributions to owners					
- issuance of shares pursuant to warrant conversion	14	13,664,227	11,751,235	-	25,415,462
- dividends to owners of the Company	25	-	-	(3,657,137)	(3,657,137)
At 31 December 2015/1 January 2016		104,838,773	11,751,235	18,276,498	134,866,506
Total comprehensive income for the financial year		-	-	10,191,786	10,191,786
Contributions by and distributions to owners					
- issuance of shares pursuant to warrant conversion	14	29,981,137	25,783,778	-	55,764,915
- dividends to owner of the Company		-	-	(15,196,752)	(15,196,752)
At 31 December 2016		134,819,910	37,535,013	13,271,532	185,626,455

The accompanying notes form an integral part of these financial statements

Statements of Cash Flows

For the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash flows from operating activities					
Profit before tax		**41,539,694**	40,134,700	**11,046,341**	17,563,979
Adjustments for:					
Amortisation for prepaid lease payments	6	**82,931**	84,958	-	-
Depreciation of investment properties	5	**53,495**	53,783	-	-
Depreciation of property, plant and equipment	4	**6,425,901**	6,736,075	-	-
Dividend income		**(9,181)**	(18,256)	**(5,000,000)**	(7,800,002)
Finance income	20	**(983,100)**	(340,989)	**(5,350,498)**	(3,258,188)
Interest expense		**24,669**	85,226	-	-
Loss/(gain) on disposal of property, plant and equipment	19	**16,701**	(24,072)	-	-
Net impairment loss on financial assets		**464,800**	78,400	-	-
Unrealised foreign exchange differences		**(1,355,575)**	(1,291,227)	**(1,763,329)**	(7,255,587)
Operating profit/(loss) before working capital changes		**46,260,335**	45,498,598	**(1,067,486)**	(749,798)
Changes in working capital:					
Inventories		**(3,516,765)**	2,957,169	-	-
Trade and other receivables, prepayments and other financial assets		**(9,104,312)**	(6,967,857)	**(31,356,120)**	(18,072,984)
Trade and other payables		**6,628,010**	5,191,406	**(507,162)**	175,153
Cash generated from/(used in) operations		**40,267,268**	46,679,316	**(32,930,768)**	(18,647,629)
Dividend received		-	-	**5,000,000**	7,800,002
Income tax paid		**(8,693,513)**	(11,803,097)	**(896,475)**	(663,592)
Income tax refund		**243,426**	631,605	-	-
Net cash from/(used in) operating activities		**31,817,181**	35,507,824	**(28,827,243)**	(11,511,219)

The accompanying notes form an integral part of these financial statements

Statements of Cash Flows

For the financial year ended 31 December 2016 • continued

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash flows from investing activities					
Acquisition of property, plant and equipment, net of interest capitalised		**(55,496,291)**	(58,865,734)	-	-
Proceeds from disposal of property, plant and equipment		**267,051**	30,580	-	-
Dividend income from quoted share		**9,181**	18,256	-	-
Finance income from deposits		**983,100**	340,989	**916,042**	193,529
Change in pledged fixed deposits		**(1,189,700)**	-	-	-
Changes in investment in unit trusts		**1,172,833**	4,947,098	-	-
Net cash (used in)/from investing activities		**(54,253,826)**	(53,528,811)	**916,042**	193,529
Cash flows from financing activities					
Dividends paid to owners of the Company	25	**(15,196,752)**	(3,657,137)	**(15,196,752)**	(3,657,137)
Proceeds from issuance of shares		**55,764,915**	25,415,462	**55,764,915**	25,415,462
Repayment of loans and borrowings		**(2,583,710)**	(1,020,790)	-	-
Drawdown of loans and borrowings		-	20,584,696	-	-
Finance costs on loans and borrowings	21	**(1,085,904)**	(316,566)	-	-
Net cash from financing activities		**36,898,549**	41,005,665	**40,568,163**	21,758,325
Net increase in cash and cash equivalents		**14,461,904**	22,984,678	**12,656,962**	10,440,635
Effect of exchange rate fluctuation on cash held		**2,959,214**	3,000,922	-	-
Cash and cash equivalents at 1 January		**63,018,086**	37,032,486	**11,802,753**	1,362,118
Cash and cash equivalents at 31 December	13	**80,439,204**	63,018,086	**24,459,715**	11,802,753

The accompanying notes form an integral part of these financial statements

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The principal place of business of the Company is located at Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia.

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 7 to the financial statements. There have been no significant changes in the nature of the activities during the financial year.

The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in a jointly controlled entity. The financial statements of the Company as at and for the year ended 31 December 2016 do not include other entities.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 April 2017.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The Group has not adopted the following standards that have been issued but not yet effective:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

2. BASIS OF PREPARATION *continued*

(a) Statement of compliance *continued*

The Directors expect that the adoption of the standards above will have no material impact to the financial statements in the period of initial application except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts,* MFRS 118, *Revenue,* IC Interpretation 13, *Customer Loyalty Programmes,* IC Interpretation 15, *Agreements for Construction of Real Estate,* IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services.*

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed under the accounting policies as mentioned in Note 3.

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM unless otherwise stated.

(d) Significant accounting judgements and estimates

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements made in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the Directors' assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. The Directors have assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, the Directors concluded that the functional currency of the entities of the Group is their respective local currency.

2. BASIS OF PREPARATION *continued*

(d) Significant accounting judgements and estimates *continued*

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives. The Directors estimate the useful lives of these property, plant and equipment to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment is disclosed in Note 4.

(ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The value in use calculation is based on a discounted cash flow model. The Directors estimate the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of the non-financial assets are disclosed in Notes 4, 5, 7, and 8 respectively.

(iii) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The carrying amount of loans and receivables is disclosed in Note 27(a).

(iv) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

The carrying amount of current tax assets at 31 December 2016 is RM929,797 (2015: RM1,671,029) and RM21,200 (2015: Nil) of the Group and of the Company, respectively.

The carrying amount of current tax liabilities at 31 December 2016 is RM1,447,673 (2015: RM2,315,999) and Nil (2015: RM20,720) of the Group and of the Company, respectively.

2. BASIS OF PREPARATION *continued*

(d) Significant accounting judgements and estimates *continued*

Key sources of estimation uncertainty *continued*

(iv) Taxes *continued*

The carrying amount of deferred tax assets and liabilities are disclosed in Note 9.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted, as set out below, are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning as at 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and of the Company.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment include transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures goodwill at the acquisition date as:

(a) the fair value of the consideration transferred; plus
(b) the recognised amount of any non-controlling interests in the acquiree; plus
(c) if the business combination is achieved in stages, the fair value of the existing equity interests in the acquiree; less
(d) the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(a) Basis of consolidation *continued*

(iii) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Jointly-controlled entities

Jointly controlled entities are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution). The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted joint ventures, after adjustments, if any, to align the accounting policies with those of the Group, from the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale or distribution.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(b) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument. A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(c) Financial instruments *continued*

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated as effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investment category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (Note 3(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(c) Financial instruments *continued*

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:
- the recognition of an asset to be received and the liability to pay for it on the trade date; and
- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Costs also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(d) Property, plant and equipment *continued*

(i) Recognition and measurement *continued*

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "administrative expenses" respectively in profit or loss.

(ii) Subsequent cost

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Leasehold land is amortised over the remaining lease periods ranging from 58 to 81 years. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Apartments	50 years
Motor vehicles	10 years
Furniture, fittings and office equipment	5 to 10 years
Plant and machineries	10 years
Renovation	10 years
Signage	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(e) Leased assets *continued*

(i) Finance lease *continued*

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Leases where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Goodwill

Goodwill arises on business combinations are measured at cost less any accumulated impairment losses. In respect of joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the joint venture.

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(g) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are measured at cost are accounted for similarly to property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal.

The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings and over the remaining lease periods of 78 years for leasehold land. Freehold land is not depreciated.

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(g) Investment properties *continued*

(ii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the fair value is estimated by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, demand deposits, and short term, highly liquid investments that are readily convertible to known amount of cash with insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(j) Impairment

(i) Financial asset

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries and jointly controlled entity) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amount of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (groups of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(j) Impairment *continued*

(ii) Other assets *continued*

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary business is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's and the Company's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(n) Revenue and other income *continued*

(iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(iv) Finance income

Finance income is recognised as it accrues using the effective interest method in profit or loss except for finance income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amount of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(p) Income tax *continued*

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to owner of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to owner of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, and for the effects of all dilutive potential ordinary shares, which comprise warrants.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Contingent liabilities

Where it is not probable that an outlow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Land	Buildings	Apartments	Motor vehicles
	RM	RM	RM	RM
Cost				
At 1 January 2015	22,801,710	24,316,668	1,015,266	3,244,076
Additions	-	-	-	652,556
Disposals	-	-	-	(178,614)
Effect of movement in exchange rates	-	3,012,514	87,303	134,025
Reclassification	-	-	-	-
At 31 December 2015/ 1 January 2016	22,801,710	27,329,182	1,102,569	3,852,043
Additions	-	-	-	745,119
Disposals	-	-	-	(490,597)
Effect of movement in exchange rates	-	(483,226)	(14,004)	(21,498)
At 31 December 2016	22,801,710	26,845,956	1,088,565	4,085,067
Accumulated depreciation				
At 1 January 2015	1,427,607	3,280,338	173,389	1,228,102
Charge for the financial year	269,714	536,867	21,299	397,620
Disposals	-	-	-	(178,610)
Effect of movement in exchange rates	-	319,747	12,316	89,814
At 31 December 2015/ 1 January 2016	1,697,321	4,136,952	207,004	1,536,926
Charge for the financial year	269,714	527,807	21,048	396,541
Disposals	-	-	-	(206,123)
Effect of movement in exchange rates	-	(60,350)	(2,228)	(16,789)
At 31 December 2016	1,967,035	4,604,409	225,824	1,710,555
Net carrying amount				
At 31 December 2015	21,104,389	23,192,230	895,565	2,315,117
At 31 December 2016	20,834,675	22,241,547	862,741	2,374,512

Furniture, fittings and office equipment	Plant and machineries	Renovation	Signage	Capital work-in-progress	Total
RM	RM	RM	RM	RM	RM
4,247,196	55,285,776	4,957,319	39,800	20,899,757	136,807,568
239,803	806,537	-	-	57,398,178	59,097,074
(1,060,864)	(13,858,840)	-	-	-	(15,098,318)
215,906	2,763,366	-	-	-	6,213,114
-	170,784	-	-	(170,784)	-
3,642,041	45,167,623	4,957,319	39,800	78,127,151	187,019,438
159,004	265,954	-	-	55,387,449	56,557,526
(6,500)	(23,000)	-	-	-	(520,097)
(32,627)	(456,577)	-	-	-	(1,007,932)
3,761,918	44,954,000	4,957,319	39,800	133,514,600	242,048,935
2,495,242	29,992,618	2,841,078	30,462	-	41,468,836
468,180	4,546,579	492,534	3,282	-	6,736,075
(1,055,703)	(13,857,497)	-	-	-	(15,091,810)
105,522	859,915	-	-	-	1,387,314
2,013,241	21,541,615	3,333,612	33,744	-	34,500,415
464,392	4,274,890	469,619	1,890	-	6,425,901
(6,499)	(22,999)	-	-	-	(235,621)
(18,306)	(178,508)	-	-	-	(276,181)
2,452,828	25,614,998	3,803,231	35,634	-	40,414,514
1,628,800	23,626,008	1,623,707	6,056	78,127,151	152,519,023
1,309,090	19,339,002	1,154,088	4,166	133,514,600	201,634,421

4. PROPERTY, PLANT AND EQUIPMENT *continued*

(a) Land

The lands are wholly related to leasehold land with unexpired lease period of more than 50 years.

(b) Apartments

The strata title for apartments with net carrying amount of RM182,507 (2015: RM187,496) have yet to be issued to a subsidiary.

(c) Security

Buildings with net carrying amount of RM5,516,499 (2015: RM5,673,781) are charged to licensed banks for banking facilities granted to a subsidiary (Note 16).

Leasehold land with net carrying amount of RM20,834,675 (2015: RM21,104,389) have been charged to licensed banks for banking facilities granted to a subsidiary (Note 16).

5. INVESTMENT PROPERTIES

	Group	
	2016	2015
	RM	RM
Cost		
At 1 January	**3,402,571**	3,302,990
Effect of movement in exchange rates	**(15,973)**	99,581
At 31 December	**3,386,598**	3,402,571
Accumulated depreciation		
At 1 January	**721,405**	658,660
Charge for the financial year	**53,495**	53,783
Effect of movement in exchange rates	**(1,725)**	8,962
At 31 December	**773,175**	721,405
Net carrying amount		
At 31 December	**2,613,423**	2,681,166

	Group	
	2016	2015
Represented by:	RM	RM
Freehold land	**78,000**	78,000
Leasehold land with unexpired lease period of more than 50 years	**977,275**	990,036
Buildings	**987,251**	1,016,228
Apartments	**570,897**	596,902
	2,613,423	2,681,166

5. INVESTMENT PROPERTIES *continued*

Investment properties comprise two commercial properties and an apartment that are leased to third parties. The leases are renewable on a yearly basis. No contingent rents are charged.

The fair value of the investment properties are as follows:

	Group	
	2016	2015
	RM	RM
At 31 December	**11,981,855**	12,047,025

The Group estimates the fair value of its investment properties based on the following key assumptions:
- the comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities; or
- enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

The disclosure of fair value above was measured at the reporting date using the following method:

Significant observable inputs other than quoted prices (Level 2)

The valuation of residential investment property is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

Significant unobservable inputs (Level 3)

The valuation of commercial property is based on market comparable approach. The significant unobservable input is yield adjustment based on Directors' assumptions. The yield adjustments are made for any difference in the nature, location or condition of the specific property.

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2016	2015
	RM	RM
Rental income	**476,986**	482,863
Direct operating expenses		
- income generating investment properties	**42,996**	40,720

Investment property of the Group amounting to RM1,747,685 (2015: RM1,783,218) has been charged to a licensed bank for credit facilities granted to a subsidiary (Note 16).

6. PREPAID LEASE PAYMENTS

	Group	
	2016	2015
	RM	RM
Cost		
At 1 January	**4,247,948**	3,615,794
Effect of movement in exchange rates	**(101,401)**	632,154
At 31 December	**4,146,547**	4,247,948
Accumulated amortisation		
At 1 January	**764,629**	578,526
Charge for the financial year	**82,931**	84,958
Effect of movement in exchange rates	**(18,252)**	101,145
At 31 December	**829,308**	764,629
Net carrying amount		
At 31 December	**3,317,239**	3,483,319
Amount to be amortised:		
- not later than one year	**82,931**	84,958
- later than one year but not later than five years	**331,724**	339,832
- later than five years	**2,902,584**	3,058,529

The prepaid lease payments are wholly related to a leasehold land with unexpired lease period of less than 50 years. The prepaid lease payments are not transferable and have a remaining tenure of 40 (2015: 41) years.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	RM	RM
Unquoted shares - at cost	**35,140,614**	35,140,614
Capital contribution	**27,149,371**	25,996,846
	62,289,985	61,137,460

7. INVESTMENT IN SUBSIDIARIES *continued*

Details of subsidiaries are as follows:

Subsidiaries of the Company	Effective ownership interest 2016	Effective ownership interest 2015	Country of incorporation	Principal activities
Kawan Food Manufacturing Sdn. Bhd.	**100%**	100%	Malaysia	Manufacturing and sale of frozen food products
KG Pastry Marketing Sdn. Bhd.	**100%**	100%	Malaysia	Investment property and rental of trucks
Kawan Food Confectionery Sdn. Bhd.	**100%**	100%	Malaysia	Investment holding
Kawan Food (Hong Kong) Limited*	**100%**	100%	Hong Kong	Trading and distribution of frozen food products
Subsidiary of Kawan Food (Hong Kong) Limited				
Kawan Food (Nantong) Co., Ltd**	**100%**	100%	The People's Republic of China	Manufacturing and trading of frozen food delicacies

* *Audited by oversea affiliate of Cheng & Co*

** *Not audited by Cheng & Co*

The capital contribution to Kawan Food (Hong Kong) Limited are interest free and are determined to form part of the Company's net investment in the subsidiary, hence are deemed as quasi-equity.

8. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2016	2015
	RM	RM
Unquoted shares - at cost	**100,000**	100,000
Share of post-acquisition reserves	**(100,000)**	(100,000)
	-	-

Details of the jointly controlled entity are as follows:

Jointly controlled entity	Effective ownership interest 2016	Effective ownership interest 2015	Country of incorporation	Principal activities
Hot & Go Management Sdn. Bhd.	50%	50%	Malaysia	Operation of kiosk for food and beverage

Summary as per management accounts of the jointly controlled entity, not adjusted for the percentage of ownership by the Group:

	Group	
	2016	2015
	RM	RM
Revenue (100%)	**305,433**	368,655
Net loss for the financial year (100%)	**356,557**	262,529
Total assets (100%)	**464,311**	437,505
Total liabilities (100%)	**1,637,670**	1,254,307

9. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	RM	RM	RM	RM	RM	RM
Group						
Property, plant and equipment	-	-	**(2,121,640)**	(2,526,165)	**(2,121,640)**	(2,526,165)
Accruals	**2,675,845**	2,853,089	**(12,360)**	-	**2,663,485**	2,853,089
Other items	**146,916**	206,949	**(702,033)**	(404,027)	**(555,117)**	(197,078)
Deferred tax assets/(liabilities)	**2,822,761**	3,060,038	**(2,836,033)**	(2,930,192)	**(13,272)**	129,846
Set off	**(2,545,097)**	(2,871,656)	**2,545,097**	2,871,656	-	-
Net deferred tax assets/(liabilities)	**277,664**	188,382	**(290,936)**	(58,536)	**(13,272)**	129,846

Movement in temporary difference during the year

	At 1.1.2015	Recognised in profit or loss (Note 22)	Recognised in other comprehensive income (Note 23)	At 31.12.2015/ 1.1.2016	Recognised in profit or loss (Note 22)	Recognised in other comprehensive income (Note 23)	At 31.12.2016
	RM	RM	RM	RM	RM	RM	RM
Group							
Property, plant and equipment	(2,751,231)	225,066	-	(2,526,165)	404,627	(102)	**(2,121,640)**
Accruals	1,978,485	880,856	(6,252)	2,853,089	(189,774)	170	**2,663,485**
Other items	(63,061)	(137,540)	3,523	(197,078)	(357,931)	(108)	**(555,117)**
	(835,807)	968,382	(2,729)	129,846	(143,078)	(40)	**(13,272)**

10. TRADE AND OTHER RECEIVABLES

	Group	
	2016	2015
	RM	RM
Current		
Trade		
Trade receivables	**43,854,480**	37,502,879
Non-trade		
Other receivables	**4,664,099**	1,316,876
	48,518,579	38,819,755

	Company	
	2016	2015
	RM	RM
Non-current		
Non-trade		
Advances to subsidiaries	**4,936,250**	4,726,700
Current		
Non-trade		
Advances to subsidiaries	**93,895,370**	57,792,045
Other receivables	**78,500**	1,000
	93,973,870	57,793,045
	98,910,120	62,519,745

10. TRADE AND OTHER RECEIVABLES *continued*

Trade receivables

Included in trade receivables of the Group is an amount of RM8,546,829 (2015: RM7,327,780) due from companies in which certain Directors have interests and held directorship.

Advances to subsidiaries

Advances to subsidiaries of RM84,193,123 (2015: RM48,411,983) are unsecured, subject to interest at BLR of 6.6% - 6.85% (2015: BLR of 6.85%) and repayable on demand. The remaining advances to subsidiaries bear interest at 2.5%-5% (2015: 5%) per annum are repayable as follows:

	Year of Maturity	Total	Less than 1 year	1-2 years	2-5 years
2016		**RM**	**RM**	**RM**	**RM**
Agreement date					
22 October 2016	2016	4,670,710	4,670,710	-	-
22 October 2013	2018	2,029,057	9,682	2,019,375	-
5 December 2013	2018	3,071,682	154,807	2,916,875	-
22 December 2016	2016	4,867,048	4,867,048	-	-
		14,638,497	9,702,247	4,936,250	-
2015					
Agreement date					
22 October 2015 (renewal)	2016	4,478,345	4,478,345	-	-
22 October 2013	2018	2,015,250	81,600	-	1,933,650
5 December 2013	2018	2,910,917	117,867	-	2,793,050
22 December 2015 (renewal)	2016	4,702,250	4,702,250	-	-
		14,106,762	9,380,062	-	4,726,700

11. OTHER INVESTMENTS

	Group	
	2016	**2015**
	RM	**RM**
Financial assets at fair value through profit or loss		
- held for trading: Shares (Quoted)	**677,600**	1,142,400
: Unit trusts (Quoted)	**490,116**	473,249
	1,167,716	1,615,649

12. INVENTORIES

	Group	
	2016	2015
	RM	RM
At cost		
Raw materials	**1,309,397**	1,208,100
Packaging materials	**3,379,512**	2,956,016
Finished goods	**8,220,361**	5,228,389
	12,909,270	9,392,505
Recognised in profit or loss:		
Inventories recognised as cost of sales	**99,143,422**	89,214,888

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Deposits placed with licensed banks	**28,111,105**	14,877,616	**24,459,715**	11,802,753
Cash and bank balances	**52,328,099**	48,140,470	-	-
	80,439,204	63,018,086	**24,459,715**	11,802,753

Deposits placed with licensed banks of the Group and of the Company comprise placements in fixed income trusts of which RM9,438,595 (2015: RM11,770,556) and RM7,839,542 (2015: RM8,702,153) respectively are redeemable at call whereas RM18,672,510 (2015: RM3,107,060) and RM16,620,173 (2015: RM3,100,600) respectively are redeemable upon 7 days notice.

These deposits are subject to interest at rates ranging from 2.33% to 3.58% (2015: 2.28% to 3.2%) per annum.

14. SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares of RM0.50 each		RM	RM
Authorised	**1,000,000,000**	100,000,000	**500,000,000**	500,000,000
Issued and fully paid:				
At beginning of financial year	**209,677,545**	182,349,091	**104,838,773**	91,174,546
Allotment of shares pursuant to exercised of warrant	**59,962,275**	27,328,454	**29,981,137**	13,664,227
At end of financial year	**269,639,820**	209,677,545	**134,819,910**	104,838,773

14. SHARE CAPITAL *continued*

The issued and paid-up ordinary share capital of the Company was increased from RM104,838,773 to RM134,819,910 during the financial year through the issuance of shares of 59,962,275 ordinary shares of RM0.50 each from the conversion of 59,962,275 warrants at an exercise price of RM0.93 per warrant during the financial year. These new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

Warrants

On 28 July 2011, the Company issued 60,000,000 free warrants on the basis of one (1) free warrant for every two (2) existing ordinary shares of RM0.50 each held by the entitled shareholders of the Company. The warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 3 August 2011.

The terms of the warrants are as follows:

(a) Exercise rights - each warrant carries the entitlement, at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price, subject to the adjustments in accordance with the provisions of the Deed Poll.

(b) Exercise price - the exercise price of the warrants has been fixed at RM1.40 per warrant, subject to such adjustment as may be allowed under the Deed Poll.

(c) Exercise period - the period commencing on and including the day of issuance of the warrants and expiring on the fifth anniversary of the issue date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.

(d) Transferability - the warrants will be transferable at board lot of 100 warrants as determined by Bursa Malaysia Securities Berhad.

(e) Ranking – the 60,000,000 new ordinary shares to be issued pursuant to the exercise of the warrants will, upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares except that such new ordinary shares shall not be entitled for any dividend, rights, allotments and/or other distributions, the entitlement date of which precedes or falls on the date of allotment of the new shares, and will be subject to all the provisions of the Articles of Association of the Company.

The exercise price was adjusted from RM1.40 to RM0.93 and additional 29,216,659 warrants were issued arising from the adjustments from the bonus issue of shares on 22 December 2014. These additional warrants issued were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 23 December 2014.

During the current financial year, 59,962,275 of the Warrants 2011/2016 were converted to ordinary shares. The balance of the outstanding Warrants 2011/2016 of 359,865 has lapsed on 28 July 2016.

Movement in the warrants are as follows:

	Group and Company Number of warrants	
	2016	**2015**
At beginning of financial year	**60,322,140**	87,650,594
Exercised during the financial year	**(59,962,275)**	(27,328,454)
Expired during the financial year	**(359,865)**	-
At end of financial year	-	60,322,140

15. RESERVES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Non-distributable:				
Share premium	**37,535,013**	11,751,235	**37,535,013**	11,751,235
Translation reserve	**14,983,699**	13,905,904	-	-
	52,518,712	25,657,139	**37,535,013**	11,751,235
Distributable:				
Retained earnings	**104,094,576**	86,309,711	**13,271,532**	18,276,498
	156,613,288	111,966,850	**50,806,545**	30,027,733

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

	Group and Company	
	2016	2015
	RM	RM
At beginning of financial year	**11,751,235**	-
Warrant conversion	**25,783,778**	11,751,235
At end of financial year	**37,535,013**	11,751,235

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

	Group	
	2016	2015
	RM	RM
At beginning of financial year	**13,905,904**	5,317,723
Foreign currency translation during the financial year	**1,077,795**	8,588,181
At end of financial year	**14,983,699**	13,905,904

16. LOANS AND BORROWINGS

	Group	
	2016	2015
	RM	RM
Term loans		
Classified as		
- non-current liabilities	**20,225,634**	25,357,511
- current liabilities	**3,622,501**	1,074,334
	23,848,135	26,431,845
Present value of term loans		
Analysed as follow:		
- not later than 1 year	**3,622,501**	1,074,334
- later than 1 year but not later than 5 years	**14,490,007**	25,357,511
- later than 5 years	**5,735,627**	-
	23,848,135	26,431,845

The Group's term loans which are secured over leasehold lands and buildings of a subsidiary, are subject to interest at rates ranging from 3.65% to 4.88% (2015: 4.61% to 5.2%) (Notes 4 and 5).

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade				
Trade payables	**13,324,395**	9,885,029	-	-
Non-trade				
Other payables	**3,903,218**	1,658,802	**226**	6,599
Accruals	**17,728,902**	15,868,282	**65,344**	43,800
Amount due to Directors	-	522,333	-	522,333
	21,632,120	18,049,417	**65,570**	572,732
	34,956,515	27,934,446	**65,570**	572,732

Trade payables

(i) Credit terms of trade payables are ranging from 30 to 60 (2015: 30 to 60) days.

(ii) Included in trade payables of the Group is an amount of RM3,097,180 (2015: RM2,507,926) due to companies in which certain Directors have interests.

Amount due to Directors

The amount due to Directors is non-trade in nature, unsecured, interest free and is repayable on demand.

18. REVENUE

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Revenue				
- sale of goods	**186,906,060**	165,773,327	-	-
- rental of property	**42,000**	-	-	-
- dividends	-	-	**5,000,000**	7,800,002
	186,948,060	165,773,327	**5,000,000**	7,800,002

19. PROFIT BEFORE TAX

Profit before tax is arrived at:

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
After charging:					
Auditors' remuneration					
- audit fee					
: Cheng & Co		**106,500**	98,000	**30,000**	28,000
: Oversea affiliate of Cheng & Co		**49,191**	44,357	-	-
: Other auditors		**64,610**	59,571	-	-
- non-audit fee					
: Cheng & Co		**2,500**	14,000	**2,500**	4,000
Amortisation of prepaid lease payments	6	**82,931**	84,958	-	-
Depreciation of investment properties	5	**53,495**	53,783	-	-
Depreciation of property, plant and equipment	4	**6,425,901**	6,736,075	-	-
Inventories written off		**839,159**	459,943	-	-
Personnel expenses (including key management personnel)					
- wages, salaries and others		**23,735,059**	20,891,003	-	-
- contributions to State Plans		**2,583,974**	1,924,897	-	-
Rental expenses in respect of					
- coldroom		**1,014,292**	1,239,876	-	-
- equipment		**75,672**	60,512	-	-
- hostel		**46,860**	30,400	-	-
Fair value through profit or loss					
- held for trading		**464,800**	78,400	-	-
Loss on disposal of property, plant and equipment		**16,701**	-	-	-
And crediting:					
Gain on disposal of property, plant and equipment		-	24,072	-	-
Unrealised foreign exchange gain		**1,355,575**	1,291,227	**1,763,329**	7,255,587
Realised foreign exchange gain		**567,529**	4,345,193	**4,392**	151,486
Rental income from investment properties		**434,986**	482,863	-	-
Rental income from hostel		**82,200**	61,900	-	-

20. FINANCE INCOME

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Interest income from loans and receivables	**983,100**	340,989	**5,350,498**	3,258,188

21. FINANCE COSTS

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Term loans, secured	**1,085,904**	316,566	-	-
Other bank charges	**409,817**	324,865	**213**	59
	1,495,721	641,431	**213**	59
Recognised in profit or loss	**434,486**	410,091	**213**	59
Capitalised on qualifying assets:				
- property, plant and equipment	**1,061,235**	231,340	-	-
	1,495,721	641,431	**213**	59

22. INCOME TAX EXPENSE

Major components of income tax expense

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Current tax				
Malaysia - current	**7,496,150**	8,863,426	**845,499**	565,310
- (over)/under provision in prior years	**(1,395,012)**	(595,249)	**9,056**	(248)
Overseas - current	**2,336,156**	791,121	-	-
- (over)/under provision in prior years	**(22,295)**	9,264	-	-
	8,414,999	9,068,562	**854,555**	565,062
Deferred tax				
Origination and reversal of temporary differences	**48,166**	(1,042,265)	-	-
Underprovision in prior years	**101,210**	73,883	-	-
Effect of changes in tax rate	**(6,298)**	-	-	-
	143,078	(968,382)	-	-
Total income tax expense	**8,558,077**	8,100,180	**854,555**	565,062

22. INCOME TAX EXPENSE *continued*

Reconciliation of effective tax expense

The numerical reconciliations between the tax expense and the product of accounting results multiplied by the applicable tax rates are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Net profit for the year	**32,981,617**	32,034,520	**10,191,786**	16,998,917
Income tax expense	**8,558,077**	8,100,180	**854,555**	565,062
Profit before tax	**41,539,694**	40,134,700	**11,046,341**	17,563,979
Income tax calculated using				
Malaysian tax rate of 24% (2015: 25%)	**9,969,527**	10,033,675	**2,651,122**	4,390,995
Effect of tax rate in foreign jurisdiction	**(538,392)**	(283,068)	-	-
Non-deductible expenses	**3,046,509**	1,384,876	**2,052,923**	328,431
Non-taxable income	**(1,935,105)**	(1,987,741)	**(1,562,418)**	(1,987,741)
Tax exempt income	**(1,105,858)**	(242,471)	**(2,296,128)**	(2,166,375)
Double deduction on qualifying expenditure	**(26,578)**	(7,720)	-	-
Effect of changes in tax rate	**(6,298)**	-	-	-
Other items	**470,369**	(285,269)	-	-
	9,874,174	8,612,282	**845,499**	565,310
(Over)/under provision:				
- current tax	**(1,417,307)**	(585,985)	**9,056**	(248)
- deferred tax	**101,210**	73,883	-	-
	8,558,077	8,100,180	**854,555**	565,062

With the effect from 1 January 2016, the Malaysian tax rate has been reduced from 25% to 24% due to the change in Malaysian corporate tax rate that was announced during the Malaysian Budget 2014.

The effective tax rate for both years 2016 and 2015 were lower than the statutory tax rate, mainly due to overprovision of income tax in prior years. This is attributed to underestimation of the incentive for increase in exports and double deduction respectively.

23. OTHER COMPREHENSIVE INCOME

	2016			2015		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
	RM	RM	RM	RM	RM	RM
Group						
Foreign currency translation differences for foreign operations						
- gain arising during the financial year	**1,077,835**	**(40)**	**1,077,795**	8,590,910	(2,729)	8,588,181

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 31 December 2016 was based on the profit attributable to owners of the Company of RM32,981,617 (2015: RM32,034,520) and a weighted average number of ordinary shares outstanding of 249,009,723 (2015: 195,585,560).

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2015 was based on the profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effect of dilutive potential ordinary shares relating to warrants.

As at 31 December 2016, there is no diluted earnings per ordinary share as the Company does not have any dilutive potential ordinary shares.

25. DIVIDENDS

	Sen per share	RM	Date of payment
Group and Company			
2016			
Special 2016 ordinary - single tier	3.5	**9,437,397**	28 December 2016
Interim 2016 ordinary - single tier	2.5	**5,759,355**	22 April 2016
		15,196,752	
2015			
Interim 2015 ordinary - single tier	2.0	3,657,137	2 April 2015

26. OPERATING SEGMENTS

The accounting policies of the reportable segments are as described in Note 3(r).

The Group's reportable segments are organised in accordance with the Group entities, which are the Group's strategic business units. The strategic business units offer products to different markets and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews Internal Management Reports at least on a quarterly basis.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Managing Director, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total assets are used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provide regularly to the Managing Director. Hence no disclosure is made on segment liabilities.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, investment properties and intangible assets other than goodwill.

26. OPERATING SEGMENTS *continued*

	Kawan Food Berhad	Kawan Food Manufacturing Sdn. Bhd.	KG Pastry Marketing Sdn. Bhd.
	RM	RM	RM
Group			
2016			
Segment profit	5,696,056	34,086,926	49,671
Included in the measure of segment profit are:			
- revenue from external customers	-	78,485,094	41,879
- inter-company revenue	5,000,000	75,774,057	120,121
Not included in the measure of segment profit but provided to Managing Director:			
- depreciation and amortisation	-	(4,041,472)	(138,969)
- finance costs	(213)	(4,370,301)	(411)
- finance income	5,350,498	67,255	467,925
- income tax expense	(854,555)	(5,336,370)	(135,421)
Segment assets			
Included in the measure of segment assets are:			
- additions to non-current assets other than financial instruments and deferred tax assets	-	56,384,510	-
2015			
Segment profit	14,305,850	38,473,801	267,047
Included in the measure of segment profit are:			
- revenue from external customers	-	68,770,425	388,477
- inter-company revenue	7,800,002	76,992,211	94,112
Not included in the measure of segment profit but provided to Managing Director:			
- depreciation and amortisation	-	(4,284,899)	(161,752)
- finance costs	(59)	(2,730,039)	(242)
- finance income	3,258,188	113,898	236,578
- income tax expense	(565,062)	(6,790,014)	(104,140)
Segment assets			
Included in the measure of segment assets are:			
- additions to non-current assets other than financial instruments and deferred tax assets	-	59,311,187	-

Kawan Food Confectionery Sdn. Bhd.	Kawan Food (Hong Kong) Limited	Kawan Food (Nantong) Co., Ltd	Total
RM	RM	RM	RM
20,638	7,752,729	5,031,423	52,637,443
-	101,815,718	6,605,369	186,948,060
-	-	29,513,373	110,407,551
-	(5,059)	(2,376,827)	(6,562,327)
(26)	(299,821)	(634,852)	(5,305,624)
-	-	-	5,885,678
(7,916)	(1,341,469)	(738,312)	(8,414,043)
-	-	173,016	56,557,526
(264,793)	3,604,165	4,394,560	60,780,630
-	90,153,689	6,460,736	165,773,327
-	-	19,328,238	104,214,563
-	(5,908)	(2,422,257)	(6,874,816)
(27)	(268,050)	(615,694)	(3,614,111)
2,484	-	-	3,611,148
(3,361)	(732,123)	(450,073)	(8,644,773)
-	13,013	586,230	59,910,430

26. OPERATING SEGMENTS *continued*

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items

	Group	
	2016	2015
	RM	RM
Profit or loss		
Total profit or loss for reportable segments	**52,637,443**	60,780,630
Elimination of inter-segment profits	**(5,084,036)**	(13,702,012)
Depreciation and amortisation	**(6,562,327)**	(6,874,816)
Finance income	**983,100**	340,989
Finance costs	**(434,486)**	(410,091)
Consolidated profit before tax	**41,539,694**	40,134,700

	External revenue	Depreciation and amortisation	Finance costs	Finance income	Segment assets
	RM	RM	RM	RM	RM
2016					
Total reportable segments	297,355,611	(6,562,327)	(5,305,624)	5,885,678	564,378,773
Elimination of inter-segment transaction or balances	(110,407,551)	-	4,871,138	(4,902,578)	(212,402,316)
Consolidated total	186,948,060	(6,562,327)	(434,486)	983,100	351,976,457
2015					
Total reportable segments	269,987,890	(6,874,816)	(3,614,111)	3,611,148	443,258,198
Elimination of inter-segment transaction or balances	(104,214,563)	-	3,204,020	(3,270,159)	(169,711,749)
Consolidated total	165,773,327	(6,874,816)	(410,091)	340,989	273,546,449

26. OPERATING SEGMENTS *continued*

Geographical segments

The manufacturing of frozen food products is carried out solely in Malaysia and China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers while segment assets are based on the geographical location of assets. The amounts of non-current assets do not include financial instruments (including investments in subsidiaries and jointly controlled entity) and deferred tax assets.

Geographical information

	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
	RM	RM	RM	RM
Malaysia	**70,230,946**	**175,842,329**	63,011,315	123,908,553
Rest of Asia	**29,995,877**	**31,722,754**	26,873,885	34,774,955
Europe	**14,970,406**	-	16,039,488	-
North America	**59,515,175**	-	51,872,013	-
Oceania	**11,554,011**	-	7,631,259	-
Africa	**681,645**	-	345,367	-
Consolidated total	**186,948,060**	**207,565,083**	165,773,327	158,683,508

Major customers

The Group has one (2015: one) major customer contributing revenue greater than 10% of the Group's total revenue.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables ("L&R");

(ii) Fair value through profit or loss ("FVTPL")

- held for trading ("HFT"); and

(iii) Financial liabilities measured at amortised cost ("FL").

27. FINANCIAL INSTRUMENTS *continued*

(a) Categories of financial instruments *continued*

	Carrying amount	L&R/ (FL)	FVTPL -HFT
	RM	RM	RM
2016			
Financial assets			
Group			
Other investments	1,167,716	-	1,167,716
Trade and other receivables	48,518,579	48,518,579	-
Cash and cash equivalents	80,439,204	80,439,204	-
	130,125,499	128,957,783	1,167,716
Company			
Trade and other receivables	98,910,120	98,910,120	-
Cash and cash equivalents	24,459,715	24,459,715	-
	123,369,835	123,369,835	-
Financial liabilities			
Group			
Loans and borrowings	(23,848,135)	(23,848,135)	-
Trade and other payables	(34,956,515)	(34,956,515)	-
	(58,804,650)	(58,804,650)	-
Company			
Trade and other payables	(65,570)	(65,570)	-
2015			
Financial assets			
Group			
Other investments	1,615,649	-	1,615,649
Trade and other receivables	38,819,755	38,819,755	-
Cash and cash equivalents	63,018,086	63,018,086	-
	103,453,490	101,837,841	1,615,649
Company			
Trade and other receivables	62,519,745	62,519,745	-
Cash and cash equivalents	11,802,753	11,802,753	-
	74,322,498	74,322,498	-
Financial liabilities			
Group			
Loans and borrowings	(26,431,845)	(26,431,845)	-
Trade and other payables	(27,934,446)	(27,934,446)	-
	(54,366,291)	(54,366,291)	-
Company			
Trade and other payables	(572,732)	(572,732)	-

27. FINANCIAL INSTRUMENTS *continued*

(b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
  - currency risk
  - interest rate risk
  - price risk

Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to a subsidiary.

(i) Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amount in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

27. FINANCIAL INSTRUMENTS *continued*

(b) Finance risk management *continued*

Credit risk *continued*

(i) Receivables *continued*

Exposure to credit risk, credit quality and collateral *continued*

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was as follows:

	Group	
	2016	2015
	RM	RM
Domestic	**15,338,688**	13,738,382
North America	**11,180,616**	8,884,520
Europe	**5,193,780**	6,131,996
Rest of Asia	**8,181,727**	6,802,791
Oceania	**3,959,669**	1,945,190
	43,854,480	37,502,879

At the end of the reporting period, the Group has no significant concentration of credit risk except for the amount due from one customer (2015: one customer) representing 10% (2015: 12%) of total trade receivables of the Group. The Group do not anticipate the carrying amount recorded at the end of each reporting period to be significantly different from the value that would eventually be received.

Impairment losses

The ageing of trade receivables as at the end of the reporting period was as follows:

	Gross	Individual impairment	Net
	RM	RM	RM
Group			
2016			
No past due	29,605,879	-	29,605,879
1 - 30 days past due	5,926,358	-	5,926,358
31 - 90 days past due	4,478,744	-	4,478,744
More than 90 days past due	3,843,499	-	3,843,499
	43,854,480	-	43,854,480
2015			
No past due	23,977,868	-	23,977,868
1 - 30 days past due	4,132,625	-	4,132,625
31 - 90 days past due	4,205,071	-	4,205,071
More than 90 days past due	5,187,315	-	5,187,315
	37,502,879	-	37,502,879

27. FINANCIAL INSTRUMENTS *continued*

(b) Financial risk management *continued*

Credit risk *continued*

(i) Receivables *continued*

Impairment losses *continued*

For balances which are past due but not impaired, management is monitoring individual balances closely and is confident of repayment based on subsequent collections after year end and past repayment trends of these customers.

(ii) Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk of the Company amounts to RM23,848,135 (2015: RM26,431,845) representing the outstanding loan amount of the subsidiary at the end of the reporting period.

At the end of the reporting period, there was no indication that the subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(iii) Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to its subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amount in the statements of financial position.

Advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable.

(iv) Cash and cash equivalents

As at the end of the reporting period, the Group has bank balances and bank deposits with licensed banks.

The Group minimises the credit risk by dealing exclusively with reputable financial institutions of high credit rating.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet their financial obligations as and when they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

27. FINANCIAL INSTRUMENTS *continued*

(b) Finance risk management *continued*

Liquidity Risk *continued*

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount	Contractual interest rate	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	RM	%	RM	RM	RM	RM	RM
2016							
Group							
Secured term loans	23,848,135	3.65% - 4.88%	27,257,856	4,573,882	4,418,541	12,325,024	5,940,409
Trade and other payables	34,956,515		34,956,515	34,956,515	-	-	-
	58,804,650		62,214,371	39,530,397	4,418,541	12,325,024	5,940,409
Company							
Trade and other payables	65,570		65,570	65,570	-	-	-
2015							
Group							
Secured term loans	26,431,845	4.61% - 5.2%	26,437,871	1,080,360	25,357,511	-	-
Trade and other payables	27,934,446		27,934,446	27,934,446	-	-	-
	54,366,291		54,372,317	29,014,806	25,357,511	-	-
Company							
Trade and other payables	572,732		572,732	572,732	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

(i) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Singapore Dollar ("SGD"), Euro Dollar ("EURO") and Renminbi ("RMB").

Risk management objectives, policies and processes for managing the risk

The Group manages its foreign currency exposure by matching as far as possible receipts and payments in each individual currency. The Group's exposure to foreign currency risk is monitored on an ongoing basis. The Group enters into forward exchange contracts in the normal course of business, where appropriate, to manage its exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies.

27. FINANCIAL INSTRUMENTS *continued*

(b) Finance risk management *continued*

Market risk *continued*

(i) Currency risk *continued*

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amount at the end of the reporting period was:

	RM	RM	RM	RM
Group	Denominated in			
	USD	**SGD**	**EURO**	**RMB**
2016				
Trade and other receivables	1,209,053	1,109,357	-	2,974,756
Cash and cash equivalents	23,223,077	2,810,329	347,489	5,302,754
Trade and other payables	(1,054,858)	-	-	-
	23,377,272	3,919,686	347,489	8,277,510
2015				
Trade and other receivables	790,538	1,306,316	-	2,964,398
Cash and cash equivalents	5,432,730	2,199,607	4,138,108	5,725,049
Trade and other payables	(187,525)	-	-	-
	6,035,743	3,505,923	4,138,108	8,689,447

Company (Denominated in USD)	**2016**	**2015**
	RM	**RM**
Advances to a subsidiary	**14,638,497**	14,106,762

27. FINANCIAL INSTRUMENTS *continued*

(b) Financial risk management *continued*

Market risk *continued*

(i) Currency risk *continued*

Currency risk sensitivity analysis

A 10% strengthening of the following currencies against the RM at the end of the reporting period would have increased/(decreased) equity and post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Equity	Profit	Equity	Profit
	RM	RM	RM	RM
2016				
USD	7,433,758	1,776,673	1,112,526	1,112,526
SGD	297,896	297,896	-	-
EURO	26,409	26,409	-	-
RMB	895,473	629,091	-	-
	8,653,536	2,730,069	1,112,526	1,112,526
2015				
USD	5,206,258	452,681	1,058,007	1,058,007
SGD	262,944	262,944	-	-
EURO	310,358	310,358	-	-
RMB	680,071	651,709	-	-
	6,459,631	1,677,692	1,058,007	1,058,007

A 10% weakening of the above currencies against the RM at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of changes in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's exposure to interest rate risk mainly arises from its short term funds, fixed deposits and borrowings and is managed through effective negotiation with financial institutions for best available rates.

27. FINANCIAL INSTRUMENTS *continued*

(b) Financial risk management *continued*

Market risk *continued*

(ii) Interest rate risk *continued*

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's interest-bearing financial instruments, based on carrying amount as at the end of the reporting period were:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Fixed rate instruments				
Financial assets	-	-	**14,638,497**	14,106,762
Floating rate instruments				
Financial assets	**28,111,105**	14,877,616	**108,652,838**	60,214,736
Financial liabilities	**(23,848,135)**	(26,431,845)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

As changes in interest rates at the end of the reporting period would not have a significant effect on the Group's profit and equity, sensitivity analysis is not presented.

(iii) Price risk

Price risk is the risk that the fair value or future cash flow of the financial statements will fluctuate because of changes in market prices (other than currency or interest rate).

The Group and the Company is exposed to equity securities price risk arising from the investments held by the Group and the Company which are classified on the statements of financial position as fair value to profit or loss/held for trading. These securities are listed in Malaysia. The Group and the Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio.

A 5% (2015: 5%) decreased in share price at the end of the reporting period would have decreased profit by RM33,880 (2015: RM57,120) for quoted investments classified as fair value through profit or loss. A 5% (2015: 5%) increased in share price would have had equal but opposite effect on equity and profit respectively.

27. FINANCIAL INSTRUMENTS *continued*

(c) Fair values of financial instruments

(i) Financial assets and liabilities measured at fair value

	Level 1	Level 2	Level 3
	RM	RM	RM
Group			
2016			
Financial assets			
Unit trust (Quoted)	490,116	-	-
Shares (Quoted)	677,600	-	-
2015			
Financial assets			
Unit trust (Quoted)	473,249	-	-
Shares (Quoted)	1,142,400	-	-

The fair values of these financial assets that are quoted in an active market are determined by reference to the quoted closing bid price at the end of the reporting period.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amount are not a reasonable approximation of fair value

The fair values of other financial assets and liabilities, together with the carrying amount shown in the statements of financial position, are as follows:

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM	RM	RM	RM
Company				
Advances to subsidiaries (fixed rate)	14,638,497	12,901,590	14,106,762	12,353,901

The fair value is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at reporting date.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amount are a reasonable approximation of fair value

The Group's financial assets and liabilities include cash and cash equivalents, trade and other receivables, trade and other payables, loans and borrowings.

The carrying amount of these financial assets and liabilities are reasonable approximation of fair values, because these are short term in nature or that they are floating rate instruments that are repriced to market interest rates on or near to the end of the reporting period.

28. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with regulatory requirements.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by equity attributable to owners of the Company. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents.

The debt-to-equity ratio of the Group at the end of the reporting period is as follows:

	Group	
	2016	2015
	RM	RM
Loans and borrowings	**23,848,135**	26,431,845
Trade and other payables	**34,956,515**	27,934,446
	58,804,650	54,366,291
Less: Cash and cash equivalents	**(80,439,204)**	(63,018,086)
Net debt	**(21,634,554)**	(8,651,795)
Equity attributable to owners of the Company	**291,433,198**	216,805,623
Debt-to-equity ratio	*	*

** not meaningful*

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group and the Company is not subject to any externally imposed capital requirement.

29. CAPITAL COMMITMENTS

	Group	
	2016	2015
	RM	RM
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for:		
Within one year	**25,981,106**	55,572,959

30. RELATED PARTIES

Identity of related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) has control or joint control over the Company;
(ii) has significant influence over the Company; or
(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third party and the other entity is an associate of the third party.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the company).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

The Group has related party relationship with its subsidiaries, jointly controlled entity, companies which certain directors have interest and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 10 and 17.

30. RELATED PARTIES *continued*

Significant related party transactions *continued*

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Subsidiaries				
Interest income on loans	-	-	**4,497,410**	3,064,659
Jointly controlled entity				
Sale of goods	**46,132**	40,103	-	-
Other related party transaction				
Companies in which Directors of the Company have interest:				
Sale of goods	**18,729,044**	20,386,059	-	-
Companies in which a persons related to Directors of the Company have interest:				
Sale of goods	**861,745**	794,581	-	-
Purchase of goods	**12,924,343**	10,875,616	-	-
Plaster ceiling and partition works	**224,000**	-	-	-
Provision of transportation services	**583**	-	-	-
Key management personnel				
Directors:				
- Fees	**604,000**	522,333	**604,000**	522,333
- Remuneration	**2,613,768**	2,287,501	-	-
- Defined contribution plan	**270,520**	235,525	-	-
	3,488,288	3,045,359	**604,000**	522,333
Other key management personnel:				
- Short term employee benefits	**4,238,533**	3,706,387	-	-
- Defined contribution plan	**282,017**	314,280	-	-
	4,520,550	4,020,667	-	-
Total compensation paid to key management personnel	**8,008,838**	7,066,026	**604,000**	522,333

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

In addition to their salaries, the Group also provides non-cash benefits to key management. For salaried key management personnel, the Group contributes to state plans at the minimum statutory rate.

The estimated monetary value of Directors' benefit-in-kind is RM68,150 (2015: RM56,700).

31. CONTINGENCIES

	Company	
	2016	2015
	RM	RM
Guarantees		
Corporate guarantees given by the Company to licensed banks for banking facilities granted to subsidiaries	**93,245,000**	76,986,300

32. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

Declaration of interim single tier dividend

On 24 February 2017, the Company declared an interim single tier dividend of 2.5 sen per ordinary share of RM0.50 each in respect of the financial year ending 31 December 2017.

Acquisition of shares in Dikawani Foods Sdn. Bhd.

Dikawani Foods Sdn. Bhd. ("Dikawani") was incorporated on 20 May 2016 in Malaysia under the Companies Act, 1965. The authorised share capital of Dikawani is RM400,000.00, divided into 400,000 ordinary shares of RM1.00 each. As at 10 January 2017, the issued and issued and paid-up share capital is RM100.00 divided into 100 ordinary shares of RM1.00 each. The intended principal activity of Dikawani is to engage in food truck business.

On 26 January 2017, the Company acquired 51 ordinary shares of RM1.00 each of the share capital in Dikawani, representing 51% of the issued and paid-up share capital in Dikawani from Mr Gan Thiam Chai (50 ordinary shares of RM1.00 each) and Madam Kwan Sok Kay (1 ordinary share of RM1.00 each), for a total cash consideration of Ringgit Malaysia Fifty One only (RM51.00).

The Company had on the same date, subscribed 76,449 new ordinary shares of RM1.00 each in the share capital of Dikawani, for a total consideration of Ringgit Malaysia Seventy-Six Thousand Four Hundred and Forty-Nine only (RM76,449).

Subsequent to the acquisition, Dikawani became a subsidiary of Kawan Food Berhad. The announcement was made to Bursa Malaysia Securities Berhad on 26 January 2017.

33. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFIT OR LOSS

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016, into realised and unrealised profits, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Retained earnings of the Company and its subsidiaries				
- Realised	**136,802,495**	115,297,894	**11,508,202**	11,020,911
- Unrealised	**(2,127,690)**	325,387	**1,763,330**	7,255,587
	134,674,805	115,623,281	**13,271,532**	18,276,498
Total share of post-acquisition reserve of jointly controlled entity				
- Realised	-	(100,000)	-	-
	134,674,805	115,523,281	**13,271,532**	18,276,498
Less: Consolidation adjustment	**(30,580,229)**	(29,213,570)	-	-
Total group retained earnings as per consolidated accounts	**104,094,576**	86,309,711	**13,271,532**	18,276,498

The determination of realised and unrealised profits is based on the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

List of Properties

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Held under H.S. (D) No. 135852, PT129351, Mukim dan Daerah Klang, Negeri Selangor, with address at Lot 96, Section 4, Phase 2C, Selangor Halal-Hub, Pulau Indah, Selangor Darul Ehsan *	Under construction	Leasehold interest for a term of 99 years expiring on 24 February 2097	N/A	12 October 2011	63,079.9 sq. metres	N/A	13,942,950
Held under H.S. (D) No. 98527, Bandar Shah Alam, Daerah Petaling, Negeri Selangor, with address at Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan *	A double storey factory for manufacturing activities with cold storage facilities, and a double storey office attached	Leasehold interest for a term of 99 years expiring on 6 August 2074	37 years	28 May 2004	7,337.24 sq. metres/ 6,417.91 sq. metres	23 May 2007	5,447,172
Held under PTD No. 59709 H.S. (D) 207237 Mukim of Tebrau, Negeri Johor with address at No.52, Jalan Mutiara Emas 5/12, Taman Mount Austin, 81100 Johor Bahru, Johor Darul Takzim **	A one and a half storey terrace factory with cold storage facilities, and an office annexed	Freehold	18 years	31 May 2005	289.86 sq. metres/ 254 sq. metres	2 November 1998	294,840
Held under H.S. (D) 98490, P.T. No. 617, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 4, Jalan Lada Hitam 16/12A, 40000 Shah Alam, Selangor Darul Ehsan *	A single storey factory with an office annexed	Leasehold interest for a term of 99 years expiring on 20 July 2094	27 years	28 June 1999	4,484 sq. metres/ 3,149.43 sq. metres	24 September 1990	1,747,686

List of Properties

continued

Location / Title details		Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Held under H.S. (D) 98500 for P.T. No. 714, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 2A, Persiaran Kemajuan, Seksyen 16, 40000 Shah Alam, Selangor Darul Ehsan.	*	A single storey factory with cold storage facilities; and a single storey office attached	Leasehold interest for a term of 99 years expiring on 20 July 2094	27 years	25 May 2005	21,796 sq. metres/ 3,584.91 sq. metres	7 May 1990	6,961,048
Parcel No. 2F-41C with address at 41C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56067 PT 59174 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	*	Shop apartment occupied as staff hostel	Freehold	17 years	16 May 2003	67.85 sq. metres	27 March 2003	47,273
Parcel No. 2B-41D with address at 41D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56067 PT 59174 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	*	Shop apartment occupied as staff hostel	Freehold	17 years	29 July 2003	67.85 sq. metres	27 March 2003	43,981

List of Properties

continued

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Parcel No. 2F-31C * with address at 31C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56062 PT 59169 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	17 years	16 May 2003	67.85 sq. metres	27 March 2003	47,273
Parcel No. 2B-21D * with address at 21D-2B, Jalan Datuk Dagang, 31 Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56057 PT 59164 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	17 years	29 July 2003	67.85 sq. metres	27 March 2003	43,981
Shop Apartment Parcel No. B3/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan * Held under Strata Title H.S. (D) 67208 Lot No. P.T. No. 65663 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	16 years	21 February 2001	69.52 sq. metres	26 October 2004	41,798

List of Properties

continued

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Shop Apartment Parcel No. B4/3F with address at 55-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67207 Lot No.P.T. No. 65652 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	* Shop apartment occupied as staff hostel	Freehold	16 years	21 February 2001	69.52 sq. metres	26 October 2004	41,798
Shop Apartment Parcel No. D4/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67208 Lot No.P.T. No. 65663 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	* Shop apartment occupied as staff hostel	Freehold	16 years	21 February 2001	69.52 sq. metres	26 October 2004	41,798
Shop Apartment Parcel No. D3/3F with address at 55-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67207 Lot No. P.T. No. 65652 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	* Shop apartment occupied as staff hostel	Freehold	16 years	21 February 2001	69.52 sq. metres	26 October 2004	41,798

List of Properties

continued

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Shop Apartment Parcel No. D2/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan * Held under Strata Title H.S. (D) 67208 Lot No.P.T. No. 65663 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	16 years	21 February 2001	69.52 sq. metres	26 October 2004	41,798
Industrial Land at 13, Kexing Road North, Nantong Economic & Technology Development Area ("NETDA"), China *** Held under Lot No. 03-10-(001)-338, Land Registry No. 35.45-92.10	A double storey factory for manufacturing activities with cold storage facilities; and a double storey office attached	Leasehold interest for a term of 50 years expiring on 25 December 2056	7 years	26 December 2006	40,773.90 sq. metres/ 16,000 sq. metres	N/A	20,042,287
Apartment at Unit 306, Building No. 11, 107 Xinkai Road, NETDA, Jiangsu Province, 226009 China ***	Apartment	Leasehold interest for a term of 70 years expiring on 19 August 2074	10 years	19 January 2007	223.44 sq. metres	N/A	471,243
Apartment at Unit 2904 Building No. 9, Zhongnan Century City, Chongchuan District, Nantong, Jiangsu Province, 226009 China ***	Apartment	Leasehold interest for a term of 75 years expiring on 1 April 2075	7 years	30 December 2006	179.42 sq. metres	N/A	570,897

* *Held under Kawan Food Manufacturing Sdn Bhd*

** *Held under KG Pastry Marketing Sdn Bhd*

*** *Held under Kawan Food (Nantong) Co., Ltd.*

Analysis on Shareholdings

as per record of depositors as at 12 April 2017

Authorised Share Capital	: RM500,000,000.00
Issued and Fully Paid Share Capital	: RM134,819,910.00
Class of Shares	: Ordinary Shares
Voting Rights	: One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	144	8.87	3,462	0.00
100 to 1,000	727	44.80	244,319	0.09
1,001 to 10,000	393	24.21	1,637,011	0.61
10,001 to 100,000	214	13.19	7,966,588	2.95
100,001 to less than 5% of issued shares	142	8.75	129,548,448	48.05
5% and above of issued shares	3	0.18	130,239,992	48.30
Total	**1,623**	**100.00**	**269,639,820**	**100.00**

SUBSTANTIAL SHAREHOLDERS

as per Register of Substantial Shareholders as at 12 April 2017

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	65,792,992	24.40	-	-
2. Maybank Securities Nominees (Asing) Sdn Bhd *Exempt AN for Volaw Trustee Limited (Narvee)*	53,836,800	19.97	-	-
3. Gan Thiam Hock	16,000,200	5.93	-	-
4. Nareshchandra Gordhandas Nagrecha	-	-	53,836,800*	19.97

** Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his substantial shareholdings in Narvee Foundation.*

STATEMENT OF DIRECTORS' SHAREHOLDINGS

as per Register of Directors' shareholdings as at 12 April 2017

Name of Directors	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	65,792,992	24.40	-	-
2. Kwan Sok Kay	12,408,729	4.60	-	-
3. Gan Thiam Hock	16,000,200	5.93	-	-
4. Lim Peng @ Lim Pang Tun	337,500	0.13	-	-
5. Chen Seng Chong	476,250	0.18	-	-
6. Nareshchandra Gordhandas Nagrecha	-	-	53,836,800*	19.97
7. Timothy Tan Heng Han	101,250	0.04	-	-
8. Lim Hun Soon @ David Lim	7,595,021	2.82	-	-
9. Abdul Razak Bin Shakor	-	-	-	-
10. Dr Nik Ismail Bin Nik Daud	-	-	-	-

** Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his substantial shareholdings in Narvee Foundation.*

Analysis on Shareholdings

as per record of depositors as at 12 April 2017 • continued

LIST OF THIRTY (30) LARGEST SHAREHOLDERS *as at 12 April 2017*

No.	Name of Shareholders	No. of Shares	%
1.	Gan Thiam Chai	60,402,992	22.40
2.	Maybank Securities Nominees (Asing) Sdn Bhd *Exempt AN for Volaw Trustee Limited (Narvee Foundation)*	53,836,800	19.97
3.	Gan Thiam Hock	16,000,200	5.93
4.	Kwan Sok Kay	9,737,979	3.61
5.	Wu, Meng-Che	7,360,000	2.73
6.	Lim Hun Soon @ David Lim	7,355,021	2.73
7.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB for Gan Thiam Chai (PB)*	5,390,000	2.00
8.	Amanahraya Trustees Berhad *Public Strategic Smallcap Fund*	4,961,200	1.84
9.	Niels John Madsen	4,819,800	1.79
10.	Kong Poh Yin	4,092,375	1.52
11.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Kim Heung (MY1989)*	3,500,000	1.30
12.	Kumpulan Wang Persaraan (Diperbadankan)	3,169,100	1.18
13.	Amanahraya Trustees Berhad *PB Smallcap Growth Fund*	2,901,200	1.08
14.	Amanahraya Trustees Berhad *PB Growth Fund*	2,863,100	1.06
15.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)*	2,689,350	1.00
16.	Kwan Sok Kay	2,670,750	0.99
17.	HLIB Nominees (Asing) Sdn Bhd *Hong Leong Bank Bhd for Wu Chung Chen*	2,663,000	0.99
18.	Tokio Marine Life Insurance Malaysia Bhd *As beneficial owner (PF)*	2,500,000	0.93
19.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for RHB Kidsave Trust*	2,225,500	0.83
20.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad for RHB Capital Fund (200189)*	2,163,200	0.80
21.	HLIB Nominees (Asing) Sdn Bhd *Hong Leong Bank Bhd for Chiang Peter*	1,953,000	0.72
22.	HLIB Nominees (Asing) Sdn Bhd *Hong Leong Bank Bhd for Chen Tsai Tien*	1,913,575	0.71
23.	Amanahraya Trustees Berhad *PMB Shariah Aggressive Fund*	1,732,200	0.64
24.	Maybank Securities Nominees (Asing) Sdn Bhd *Pledged Securities Account for Shah Kamal Kant Zaverchand*	1,626,287	0.60
25.	Citigroup Nominees (Tempatan) Sdn Bhd *Universal Trustee (Malaysia) Berhad For Cimb Islamic Small Cap Fund*	1,621,800	0.60
26.	DB (Malaysia) Nominee (Asing) Sdn Bhd *SSBT Fund W4A9 For Wasatch Micro Cap Value Fund*	1,600,000	0.59
27.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd For Rhb Smart Treasure Fund*	1,570,000	0.58
28.	Lam Kai Chen	1,470,000	0.55
29.	Permodalan Nasional Berhad	1,439,500	0.53
30.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for Credit Suisse (SG BR-TST-Asing)*	1,370,450	0.51
	Total	**217,598,379**	**80.70**

THIRTEENTH ANNUAL GENERAL MEETING Form of Proxy

KAWAN FOOD BERHAD

I/We .....

NRIC No./Company No. ..... of .....

being a member / members of **KAWAN FOOD BERHAD** hereby appoint the *Chairman of the Meeting or

..... (NRIC No. .....)

of .....

failing whom ..... (NRIC No. .....)

of .....

as my/our proxy(ies) to vote for me/us and on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Topas Room, The Saujana Hotel, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Wednesday, 31 May 2017 at 10.00 a.m. and at any adjournment thereof for/against the resolutions to be proposed thereat.

*Please delete the words "Chairman of the Meeting" if you wish to appoint other person(s) to be your proxy/proxies.

RESOLUTIONS		FOR	AGAINST
1. To approve the Directors' Fees and benefits payable to the Directors of the Company of up to RM850,000 for the financial year ending 31 December 2017	*Ordinary Resolution 1*		
2. Re-election of Mr Timothy Tan Heng Han as Director	*Ordinary Resolution 2*		
3. Re-election of Madam Kwan Sok Kay as Director	*Ordinary Resolution 3*		
4. Re-election of Mr Nareshchandra Gordhandas Nagrecha as Director	*Ordinary Resolution 4*		
5. Re-election of Dr ww Nik Daud as Director	*Ordinary Resolution 5*		
6. Re-appointment of Messrs Cheng & Co as Auditors	*Ordinary Resolution 6*		
7. Authority for Mr Chen Seng Chong to continue in office as Independent Non-Executive Director	*Ordinary Resolution 7*		
8. Authority for Mr Lim Peng @ Lim Pang Tun to continue in office as Independent Non-Executive Director	*Ordinary Resolution 8*		
9. Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with Shana Foods Limited and Rubicon Food Products Limited	*Ordinary Resolution 9*		
10. Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with K.C. Belight Food Industry (M) Sdn Bhd, Food Valley Sdn Bhd and Hot & Roll Sdn Bhd	*Ordinary Resolution 10*		
11. Proposed New Shareholders' Mandate for the Additional Recurrent Related Party Transactions of a Revenue or Trading Nature with Rubicon Drinks International Pte Limited	*Ordinary Resolution 11*		
12. Proposed New Shareholders' Mandate for the Additional Recurrent Related Party Transactions of a Revenue or Trading Nature with MH Delight Sdn Bhd	*Ordinary Resolution 12*		
13. Proposed Renewal of Authority under Sections 76 of the Companies Act 2016 for the Directors to allot and issue shares	*Ordinary Resolution 13*		

Please indicate with "X"in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his (her) discretion.)

Signature / Common Seal of Shareholder(s)

Date

Contact No.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

Proxy 1 %

Proxy 2 %

Total 100%

Notes :-

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint more than one (1) proxy and shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Share Registrar of the Company, Symphony Share Registrars Sdn. Bhd. at Level 6, Symphony House Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or any adjourment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.
6. Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of any general meeting will be put to vote by poll.
7. If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
8. In respect of deposited securities, only members whose names appear on the Record of Depositors on 24 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 28 April 2017.

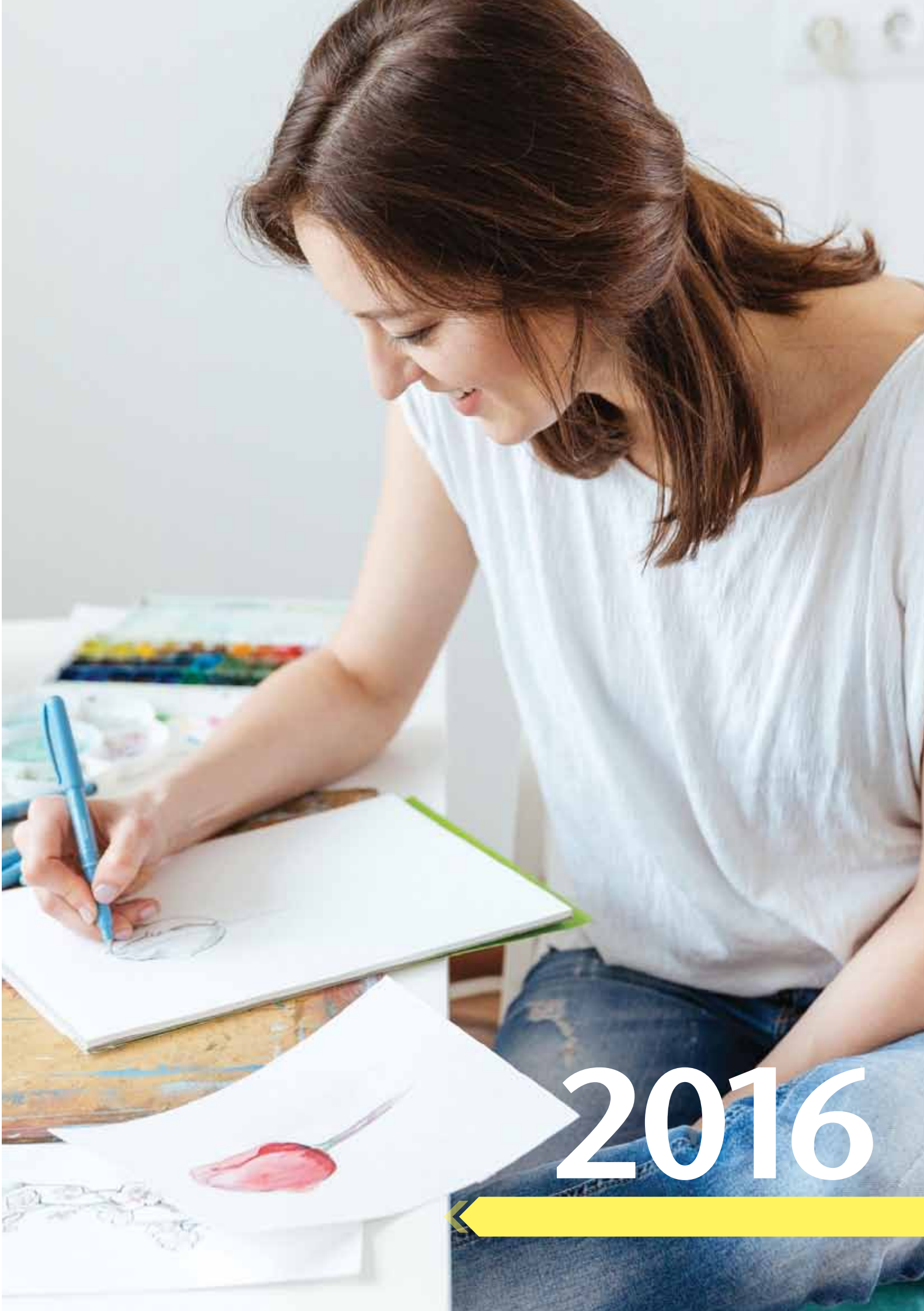
please fold here

Affix Stamp

THE SHARE REGISTRAR:

KAWAN Food Berhad 640445-V
c/o Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

please fold here



2016

KAWAN Food Berhad 640445-V (Incorporated in Malaysia)

Lot 20, Jalan Pengapit 15/19
40200 Shah Alam
Selangor Darul Ehsan, Malaysia

T 603 5511 8388 hunting line
603 5519 2751
603 5519 2751

F 603 5519 3901
603 5511 6288

www.kawanfood.com

E info@kawanfood.com