



KaWan
KAWAN FOOD BERHAD

Registration No. 200401001942 (640445-V)
Incorporated in Malaysia

GROWTH. VALUE. OPPORTUNITY.

ANNUAL REPORT 2022



GROWTH.
VALUE.
OPPORTUNITY.

WE ARE PROUD TO BE IN BUSINESSES
THAT HELP TO MAKE THIS WORLD A
BETTER AND SAFER PLACE FOR US AND
OUR FUTURE GENERATIONS TO LIVE IN.

GROWING THE VISION IS AN ASPIRATION
AT KAWAN FOOD TO CREATE A BETTER
WORLD FOR ALL OF US TO LIVE IN.

19TH ANNUAL GENERAL MEETING

DATE
Wednesday, 21 June 2023

TIME
10:30 a.m.



SCAN to view full Annual Report 2022
or via [kawanfood.com/index.php/
our-company/investor-relations/](http://kawanfood.com/index.php/our-company/investor-relations/)



KAWAN AT A GLANCE

02

SEC 01: THIS IS KAWAN FOOD BERHAD

04


Our Corporate Profile

- Our Mission, Vision and Core Values
- Our Presence
- Our Products

Our Supply Chain Model

Corporate Information

Group Corporate Structure

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Kawan At A Glance



EMPLOYEES

610

2021: 673

MANUFACTURING FACILITIES

2

2021: 2

REVENUE

RM

293.2

MILLION

2021: RM251.8 MILLION

PROFIT BEFORE TAXATION

RM

40.1

MILLION

2021: RM36.7 MILLION

PROFIT AFTER TAXATION

RM

38.5

MILLION

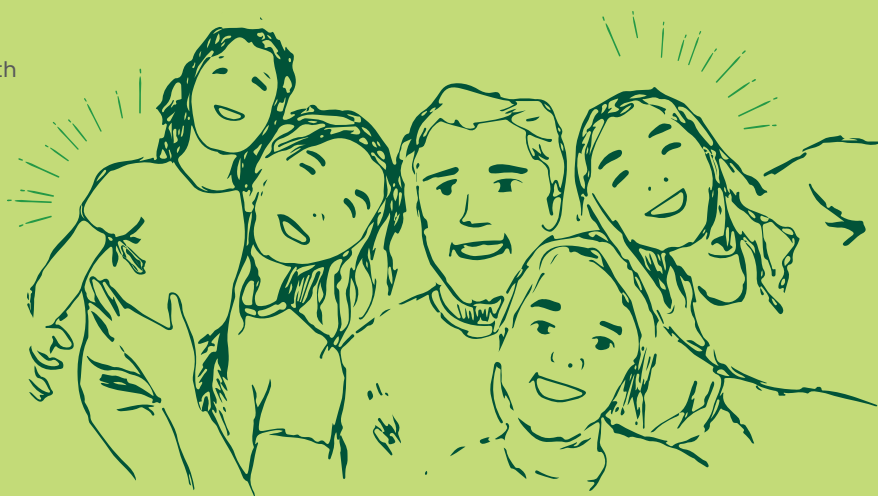
2021: RM31.8 MILLION

Kawan At A Glance

Kawan Food Berhad is an investment holding company based in Malaysia, operating in the food processing industry. Our Company's principal activities involve the manufacturing, sale, trading and distribution of frozen food products. With over 60 years of heritage dating back to the 1960s, we have grown to become one of Malaysia's leading exporter and manufacturer of frozen Asian food delicacies worldwide.

We operate two manufacturing plants, one located in Pulau Indah, Selangor, and another in Nantong, China. With staff strength numbering 610, we produce a range of food products including paratha, spring roll, pastry, chapati, finger food, bakery and desserts that are sold under five brands.

Our products are exported to 39 countries and counting, utilising a range of distribution channels such as distributorship, direct sales to key account customers, e-Commerce, and sales to retailer and wholesalers.



NET ASSETS PER SHARE

RM

1.09

2021: RM1.03

SHARE PRICE

RM

2.22

2021: RM1.64

MARKET CAPITALISATION

RM

804.9

MILLION

2021: RM589.6 MILLION

EARNINGS SHARE

10.70

SEN

2021: 8.84 sen

DIVIDEND PER SHARE

3.0

SEN

2021: 3.0 sen

Our Corporate Profile

Mission

- To enrich people's lives through consistent delivery of high quality, safe and convenient food.
- To be the leader in developing our new innovation with advance technology.
- To create values in a sustainable way to our stakeholders and contribute to economic, social and environmental developments.

Vision

To be the leading international company that provides products which create values and enhance lifestyle of our customers.

Core Values

RESPONSIBILITY

We take ownership and responsibility of our results.

TEAMWORK

We work together as a team to achieve our mission by having open communication, mutual respect and sharing of knowledge.

INTEGRITY

We are committed to be fair & honest in all our dealings and adhere to the highest ethical standards.

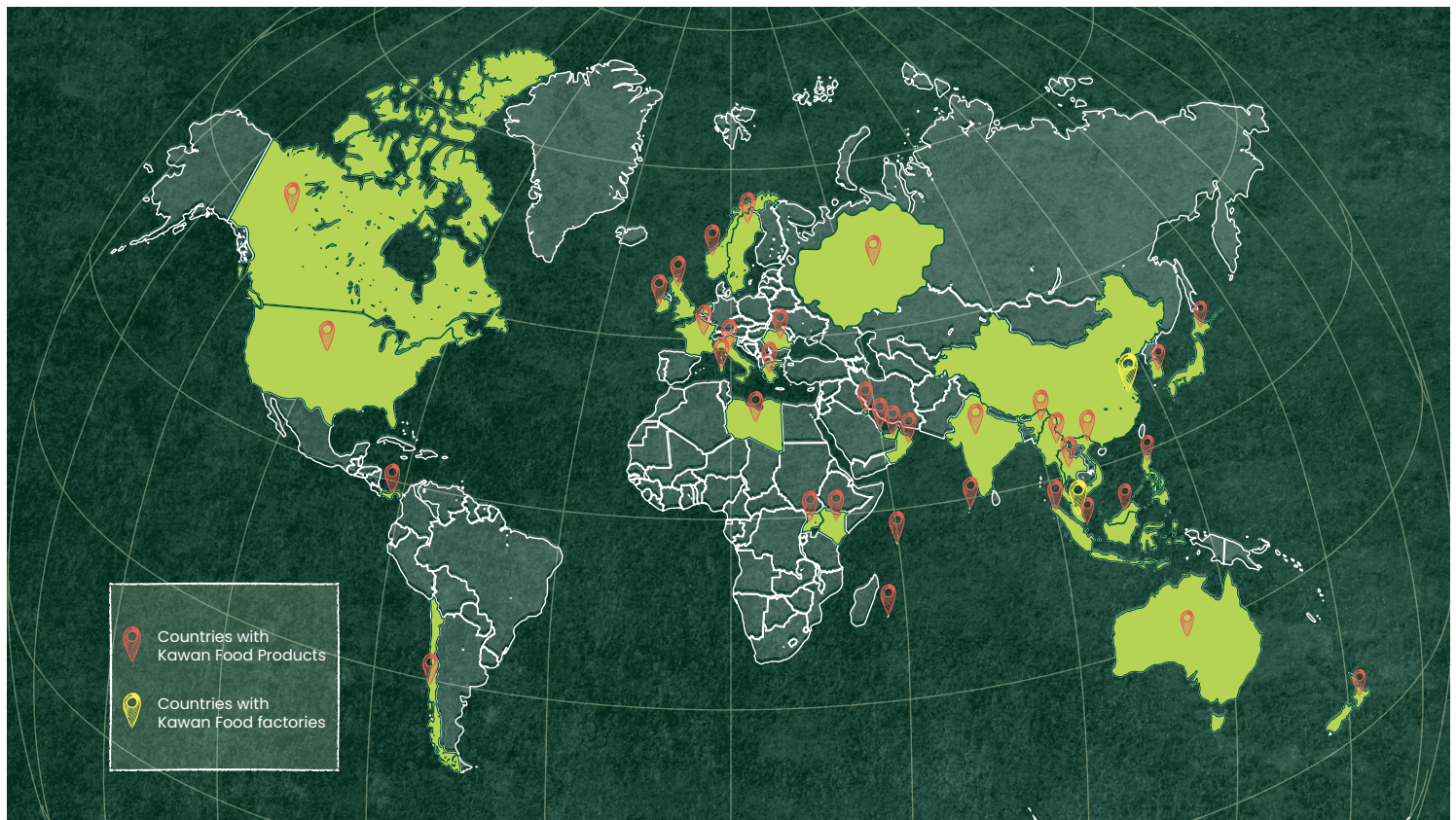
DISCIPLINE

We are dedicated and committed to achieve higher efficiency and effectiveness.

INNOVATIVE

We embrace new ideas and constantly changing to meet customer's needs.

Our Corporate Profile



Our Products

39 Countries with Kawan Food

- | | |
|-----------------|------------------------------|
| 1. Australia | 21. New Zealand |
| 2. Bahrain | 22. Norway |
| 3. Brunei | 23. Oman |
| 4. Canada | 24. Panama |
| 5. Chile | 25. Philippines |
| 6. China | 26. Qatar |
| 7. France | 27. Reunion Island |
| 8. Greece | 28. Romania |
| 9. India | 29. Russia |
| 10. Italy | 30. Seychelles |
| 11. Indonesia | 31. Singapore |
| 12. Ireland | 31. South Korea |
| 13. Japan | 33. Sweden |
| 14. Kenya | 34. Taiwan |
| 15. Kuwait | 35. Thailand |
| 16. Libya | 36. UAE |
| 17. Malaysia | 37. Uganda |
| 18. Maldives | 38. United Kingdom |
| 19. Myanmar | 39. United States of America |
| 20. Netherlands | |

 Countries with Kawan Food factories



Our Supply Chain Model

01

Raw
Materials

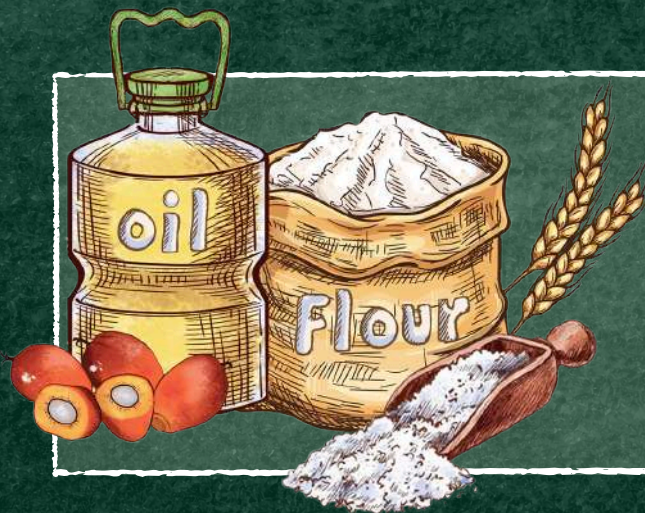
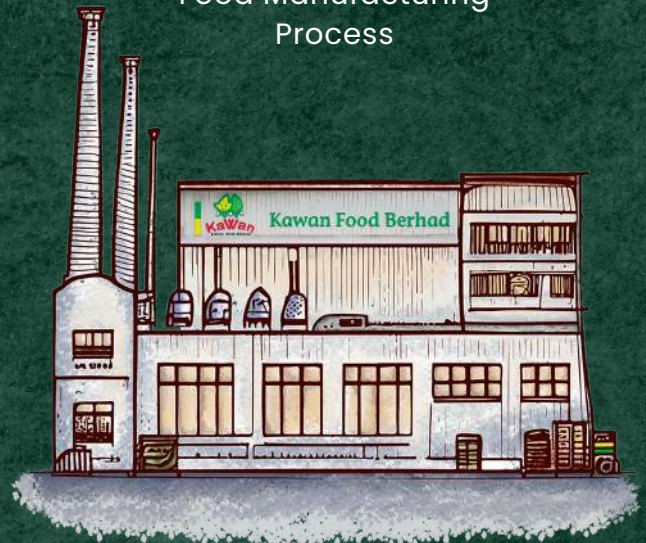
Plantation
and Flour Milling



02

Manufacturing

Food Manufacturing
Process



Food
Ingredients



High Quality
Frozen Food

Our Supply Chain Model

03

Outbound Logistic

Distribution
Transport



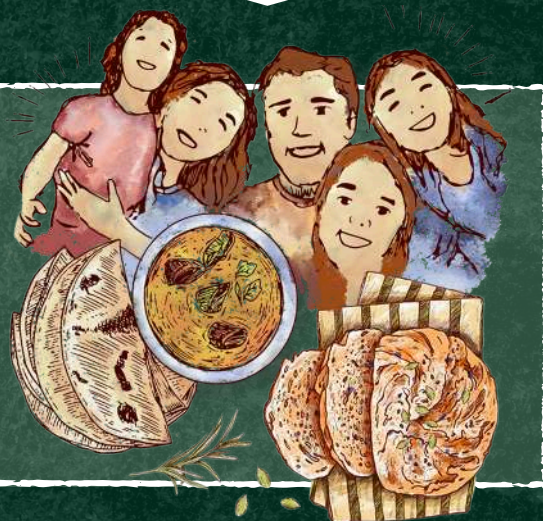
04

Marketing and Sales

Retailers, Distributors, Hypermarkets,
Supermarkets and more



Freight, Logistic and
Worldwide Distribution



Authentic and Safe Food
with Love and Care

Corporate Information

Board of Directors

GAN THIAM CHAI
Executive Chairman

GAN THIAM HOCK
Non-Independent
Executive Director

KWAN SOK KAY
Non-Independent
Executive Director

GAN KA BIEN
Non-Independent
Executive Director

DR. NIK ISMAIL BIN NIK DAUD
Senior Independent
Non-Executive Director

LIM HUN SOON @ DAVID LIM
Independent
Non-Executive Director

EUGENE HON KAH WENG
Independent
Non-Executive Director

ABDUL RAZAK BIN SHAKOR
Non-Independent
Non-Executive Director

AUDIT COMMITTEE	NOMINATING COMMITTEE	REMUNERATION COMMITTEE
LIM HUN SOON @ DAVID LIM Chairman	EUGENE HON KAH WENG Chairman	DR. NIK ISMAIL BIN NIK DAUD Chairman
DR. NIK ISMAIL BIN NIK DAUD Member	DR. NIK ISMAIL BIN NIK DAUD Member	LIM HUN SOON @ DAVID LIM Member
EUGENE HON KAH WENG Member	LIM HUN SOON @ DAVID LIM Member	EUGENE HON KAH WENG Member

REGISTERED OFFICE

Boardroom Corporate Services Sdn. Bhd.

Registration No. 196001000110 (3775-X)
12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +603 7890 4800
F +603 7890 4650

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.

Registration No. 199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +603 7890 4700
F +603 7890 4670

MANAGEMENT OFFICE

Lot 129351
Jalan Sungai Pinang 4/19
Taman Perindustrian Pulau Indah
Selangor Halal Hub, Fasa 2C
42920 Pulau Indah
Selangor Darul Ehsan, Malaysia
T +603 3099 1188
F +603 3099 1028
E info@kawanfood.com

SECRETARIES

Tai Yit Chan
(MAICSA 7009143 / SSM Practicing
Certificate No. 202008001023)

Tai Yuen Ling
(LS 0008513 / SSM Practicing
Certificate No. 202008001075)

AUDITORS

RSM Malaysia PLT

202206000002 (LLP0030276-LCA) & AF 0768
5th Floor, Penthouse, Wisma RKT
Block A, No 2, Jalan Raja Abdullah
Off Jalan Sultan Ismail
50300 Kuala Lumpur, Malaysia
T +603 2610 2888
F +603 2698 6600

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad

Registration No. 198401015221 (127776-V)

Malayan Banking Berhad

Registration No. 196001000142 (3813-K)

RHB Bank Berhad

Registration No. 196501000373 (6171-M)

United Overseas Bank (Malaysia) Bhd

Registration No. 199301017069 (271809-K)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Short Name: KAWAN
Stock Code: 7216

WEBSITE

www.kawanfood.com

Group Corporate Structure



Management Discussion & Analysis

Dear Shareholders,

I am proud that Kawan has a team with great people who possess strength and resilience to overcome the tough challenges over the year. Together, we have faced difficult periods and emerged stronger. I have full confidence that we will continue to rise to the occasion and navigate through any future obstacles with determination and excellence.

Executive Chairman
Gan Thiam Chai



Profit Before Taxation

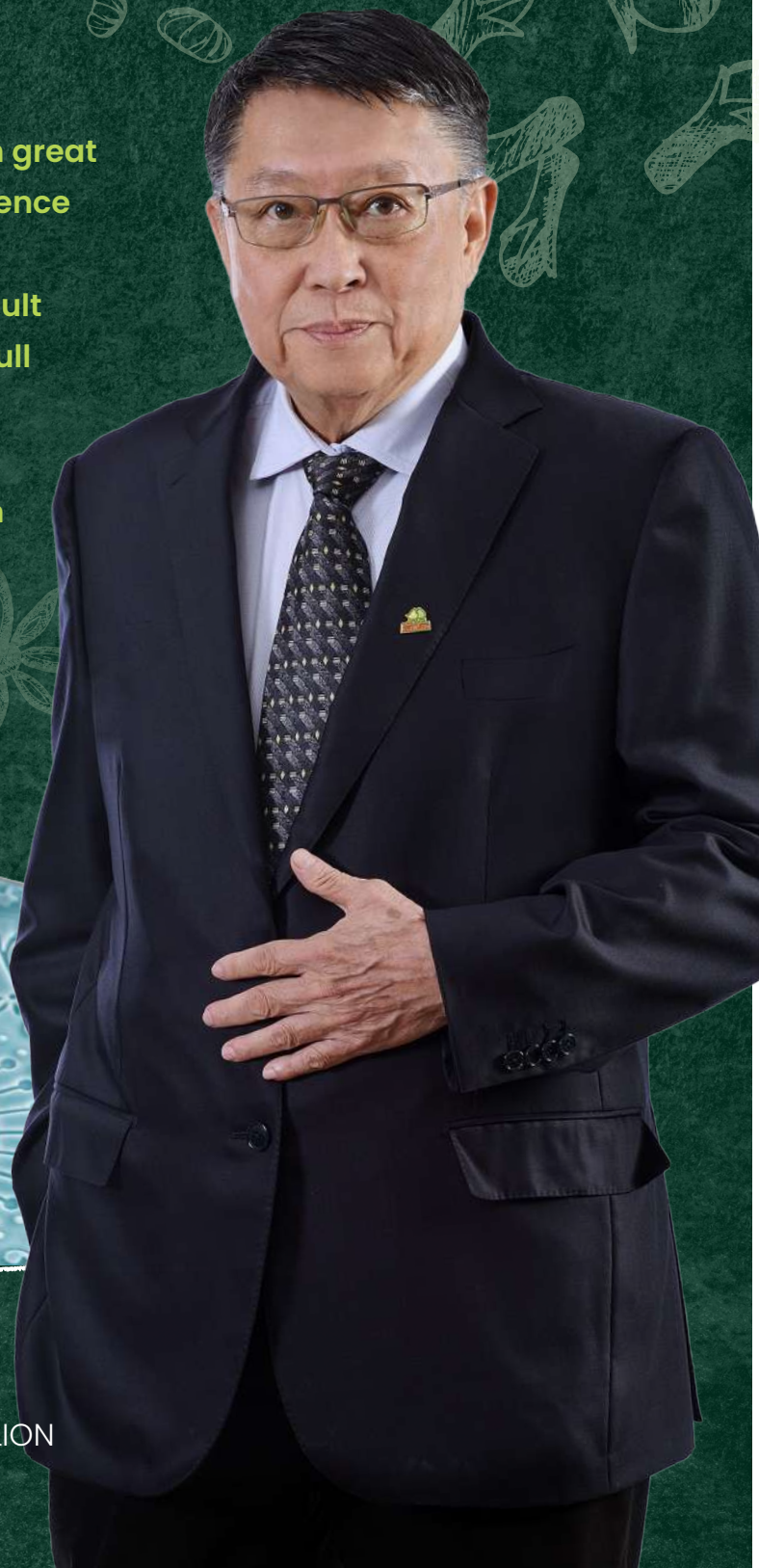
RM40.1 MILLION

2021: RM36.7 million

Profit After Taxation

RM38.5 MILLION

2021: RM31.8 million



Management Discussion & Analysis

Revenue

RM293.2 MILLION

2021: RM251.8 million

Cash & Cash Equivalents

RM98.6 MILLION

2021: RM88.6 million

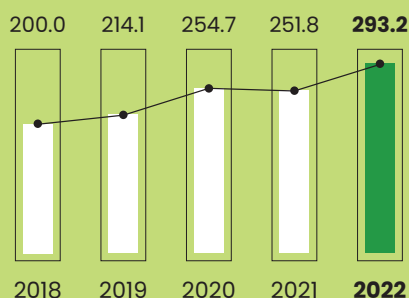
Net Assets Per Share

RM1.09

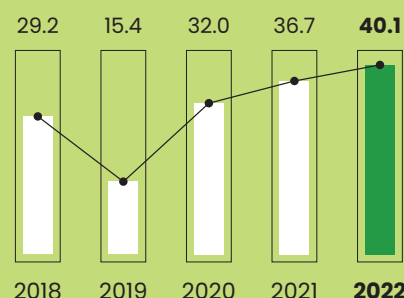
2021: RM1.03

Financial Highlights

Total Revenue (RM million)



Profit Before Tax (RM million)



OVERVIEW

Year 2022 was marked by significant volatility, as a multitude of global events over the year including US-China tensions, the unravelling of loose monetary policy and the Ukraine-Russian conflict came together to disrupt the world's recovery from the COVID-19 pandemic.

These broad events underpinned a year characterised by a volatile labour market, an energy crisis and disrupted supply chains which subsequently led to inflation rates rising to multi-decade highs. The response by central banks to rapidly hike interest rates in a bid to cool inflation has dampened the economic outlook and consumer sentiment. As a result, consumers have been tightening their belts and purchasing fewer products due to the cost-of-living crisis which has led to an increase in the consumption of cheaper products.

While it was certainly a challenging year, we were able to navigate the need to balance affordable prices for consumers while securing raw materials supply and protecting our businesses. We adjusted our prices carefully and responsibly to recover our increased costs, doing so without damaging key relationships. We also worked closely with our customers and suppliers to maintain our service levels, overcoming supply chain deficiencies, unprecedented inflation on input costs and labour supply challenges. We are grateful for the hard work and commitment of our employees and management during this challenging period as well as the continued support of our customers and suppliers in navigating these headwinds. There is still a lot of work to be done but thanks to the skills and work of our people, we are making good progress.

In FY2022, our revenue increased by 16.4% to RM293.2 million from RM251.8 million in FY2021, primarily driven by higher average selling prices. Profit before tax ("PBT") increased from RM36.7 million in FY2021 to RM40.1 million in FY2022. However, the higher input costs put our margins under pressure despite efforts to improve internal efficiencies and implementing cost saving measures. Consequently, our PBT margin decreased slightly to 13.7% in FY2022 from 14.6% in FY2021. We have also absorbed high input cost inflation, mainly in the prices of raw materials, wages and other key costs, but we have nevertheless restricted price increases even though it impacts our margin. Going forward, we remain committed to restoring our margin levels, given the opportunities present in our business.

The Group's balance sheet remains in a strong position with cash and cash equivalents of RM98.6 million. Cash will continue to be a priority for us throughout the year and we will continue to manage it tightly in FY2023.

Management Discussion & Analysis

OPERATING ENVIRONMENT



Market Trends

We remain mindful of the evolving trends that are shaping the food and beverage industry. Consumer preferences are changing rapidly and we are adapting to meet their needs in a responsible and sustainable manner.



Convenience

The demand for convenience food continues to rise as consumers seek out quick and easy options such as ready to eat meals, snacks and beverages that can be consumed on the go.



Health and Wellness

There is a growing concern among consumers on health and wellness. Consumers are increasingly selecting food that are healthier and better for them.



Sustainability

Sustainability is becoming an important consideration for consumers who prefer sustainable brands and products that are both environmentally friendly in terms of size and packaging.



Cost of Living Crisis

The current cost of living crisis is impacting consumer purchasing decisions with value for money becoming an influential factor in product or brand choice.



OUR STRATEGIES

Kawan remains resilient in the face of a challenging business environment, anchored in our strong foundation comprising a great team, a broad product portfolio, robust customers and supplier relationships and an unwavering focus on delivering quality products.

We remain committed to driving growth from our market position in Malaysia whilst accelerating growth internationally. Our growth is underpinned by consistently gaining market share in categories, channels and customers while maintaining strong relationships with our customers and consumers.

Kawan differentiates itself through our people, unrelenting commitment to producing quality food and continuously improving the sustainability of our business to building a stronger and responsible company.

Management Discussion & Analysis



Our People

Kawan is committed to fostering a culture that enables our people to realise their potential by building the capability of our leaders and leveraging the power of a diverse workforce.

Our goal is to create an inclusive culture that encourages our people to be themselves and unlock their full potential. We prioritise inclusion and diversity and make informed business decisions based on diverse perspectives. This enables us to better reflect the evolving needs of our customers and consumers which gives us the agility to anticipate and respond to change effectively. Our success depends on our capable and cohesive team who are vital in driving our business forward and which we are greatly invested in. In FY2022, we provided our team leaders with the opportunity to participate in a leadership development programme in order to scale up their capabilities further.

We have also made some important appointments and promoted from within this year to bolster our management team. For instance, Mr. Andy Yeap was promoted to the position of Chief Operating Officer from Senior Factory Manager in July 2022. He has a proven track record of implementing advance manufacturing and green technologies. Ms. Esther Lee was appointed to the position of Group Financial Controller which oversees the financial operations of the Group, while Dr. Kuan Yau Hoong joined us in April 2022 as our factory manager, bringing over ten (10) years of experience to our team. These dynamic individuals are valuable additions to our executive team.

Most significantly, we appointed Mr. Adam Pandian, who will join us as Executive Adviser to Chair and Head of Transformation in March 2023. He has an outstanding track record of implementing operational excellence in the fast moving consumer goods sector and his leadership will be critical to our efforts to improving our operations.

Sustainability

Despite volatile times, we remain steadfast in our commitment to advance our sustainability efforts. Our approach is built on our sustainability strategic framework encompassing three pillars: Trusted Enterprise, Nurturing & Empowering People and Environmental Stewardship. We have laid a solid foundation and are seeking ways to fulfil our commitments. In FY2022, we prioritised the development of policies, processes, targets and budget while continuing to integrate sustainability into our day-to-day operations.

Our sustainability agenda has progressed significantly over the last 12 months and we are well on our way to embedding sustainability as part of our business. Moving forward, we will concentrate our efforts on short, mid- and long-term commitments under these three pillars.

Giving Back to the Community

We continued to collaborate with national charities and local communities to distribute our food to those in need during this challenging period. As part of our efforts, we relaunched the special "buy two free one" food donation campaign on our online sales portal. For every two packs of Kawan Paratha purchased by consumers, they can choose to donate a free pack to either What A Waste or Great Heart Charity, both of which Kawan has partnered with for this initiative.


In addition to this initiative, Kawan continued to provide support to a range of community-based programmes that improve the lives of underprivileged children and schools in need. During FY2022, our contributions toward these programmes came up to RM125,000.

 More information on our Corporate Social Responsibility contributions is disclosed on pages 60 to 61 of our Sustainability Statement.

Management Discussion & Analysis



The following table highlights the key focus areas of their deliberations in FY2022 regarding risks arising from our operating environment, its potential implications and the corresponding mitigation measures implemented:

 RISING RAW MATERIAL COSTS AND INFLATION (High)	
Description of its Implication	Mitigation Measures
Supply chain disruption caused by political instabilities, civil unrest and other remained challenging that continue to give rise to higher operational costs leading to rising inflation.	<ul style="list-style-type: none"> • Maintain supply chain resilience and minimise business disruption • Closely monitoring and track market geo-political developments • Maintained strong relationship with suppliers and work closely with them to receive necessary supplies and materials • Diversification of suppliers and alternative sources of materials • Leveraging advanced technologies such as data analytics to provide valuable insights into supply chain performance and potential disruptions • Ensure that our supply chains remained strong without significant impact to ongoing orders
 HEIGHTENED SUSTAINABILITY FOCUS (High)	
Description of its Implication	Mitigation Measures
With the growing focus among stakeholders on sustainability matters such as human rights, social equality and climate change, companies flagged for ESG underperformance risk the loss of stakeholders' confidence.	<ul style="list-style-type: none"> • Kawan has rolled out our sustainability roadmap outlining our sustainability strategy for the period 2022 – 2030 • The Executive Director of Marketing & Sustainability leads the execution of the sustainability strategies through various sustainability initiatives under our sustainability framework
 POST PANDEMIC (High)	
Description of its Implication	Mitigation Measures
Macro uncertainty driven by post COVID 19 pandemic, political crisis, forex fluctuations and inflation. Economy recovery was expected in 2022 as the pandemic subsided with foodservice growth driven by changing lifestyles. However, the Company faced aggressive expansion by competitors and intense price competition work closely with them consumer purchasing power.	<ul style="list-style-type: none"> • Remained vigilant in monitoring our cash flow and financial position for continued stability and growth • Focused on continued performance growth on revenue and PBT and capturing new growth from new products and geographical expansion. • Continue to focus on innovation while simultaneously transforming our internal processes and systems for better synergies with the organisation • Continue to focus on Industry 4.0 to further promote efficiency and resiliency of our technological capabilities • Focus on capturing market share by expanding coverage and product portfolio using data analytics

Management Discussion & Analysis


The Board and Management of Kawan continued to actively monitor risks that may potentially impact the performance of the Group as part of our robust risk management and internal control measures. The Audit Committee (“AC”) has met four (4) times during the year under review to deliberate on the Group’s risk management agenda.

The other key activities undertaken by the AC in FY2022 include:

- 01 Monitored impact of post pandemic factors on employee safety, business continuity, supply chain, impact on growth, productivity, operations, service delivery and financial resilience;
- 02 Reviewed top risks in terms of risk trend, the likelihood of their occurrence, potential impact and progress of mitigation action;
- 03 Continuously monitored the effectiveness of the measures taken by the Group;
- 04 Reviewed key updates in relation to business continuity that were provided by Management; and
- 05 Reviewed key strategic, financial, regulatory, operational risk and actions based on the external assessments of the risk register and internal audit findings.



As we continue our journey forward, the Group will remain vigilant in monitoring our operating environment for any emerging risks to minimise uncertainties that may impact our assets, our business performance, and the wellbeing of our employees and communities. Although these risks cannot be fully eliminated, we believe our risk management function remains effective in protecting our business against potential losses and liabilities, while enabling us to maximise opportunities towards achieving our goals and vision for a better future.

 A detailed explanation of Kawan’s risk management approach and internal control activities can be found in the Statement on Risk Management and Internal Control on pages 89 to 95 of this report.

Management Discussion & Analysis

REVIEW OF OPERATIONS

Operational Overview

As a growing company, Kawan is constantly seeking opportunities to expand in our chosen categories, widen our distribution channels and diversify our customer base in the food industry, which we continued to pursue in FY2022.

Our products continued to be exported around the world, with 54.7% of our sales in FY2022 coming from international markets, mainly from North America, while the Malaysian market accounted for 45.3% of our Group's total revenue.

Our competitive advantage lies in the strength of our brand and products, and our strong adoption of innovation and technology accompanied by technical skills to further strengthen efficiency, quality and value as we progress with each year.



PROFIT
BEFORE TAX

RM40.1
MILLION

2021: RM36.7 million

INCREASE OF

9.3%

compare to 2021

Management Discussion & Analysis



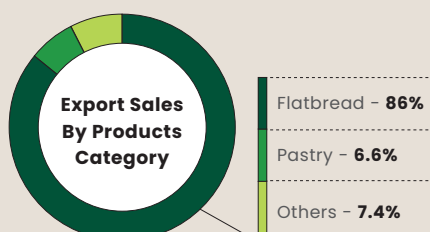
Export Market

Kawan moves our products through distributors in foreign countries. Most of our international customers are primarily traditional retailers, whereas in the Middle East and Asia, our customers are mainly a mixture of hypermarkets, supermarkets and traditional retailers.

At present, we export our products to all major continents, particularly to countries such as USA, United Kingdom, Canada, United Arab Emirates, and Australia, which have large Asian communities.

In FY2022, the Pulau Indah facility's export revenue increased by 31.0% to RM153.3 million from RM117.0 million in FY2021. We also managed to secure new businesses with new distributors and OEM customers.

TOP THREE (3) EXPORT CONTINENTS FOR FY2022	
CONTINENTS	Sales (RM)
North America	65.4 million
Asia	42.6 million
Europe	30.2 million



Flatbread remained our core product for the export market, contributing 86% of our international sales, followed by Pastry coming in at 6.6% of our export sales for FY2022.

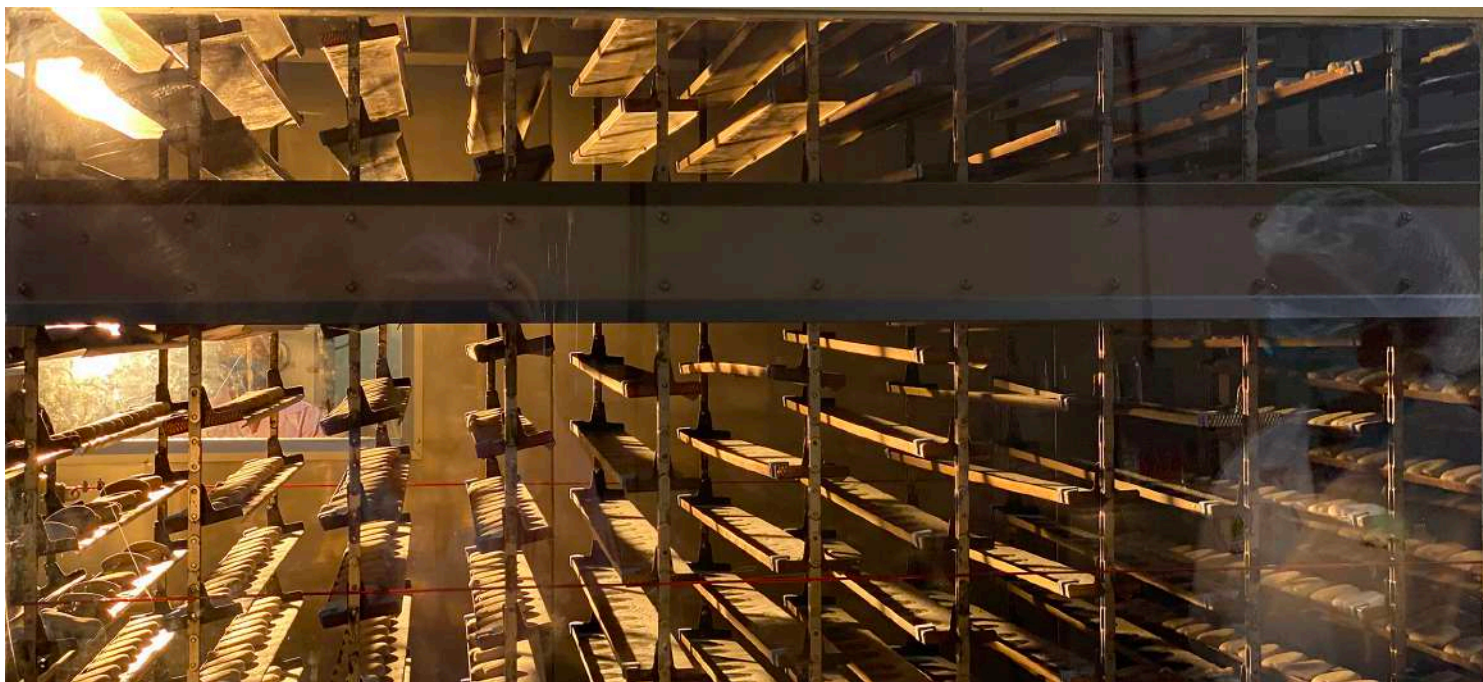
Malaysian Operation

Here at our home base, our products are distributed through traditional retailers, distributors, agents, hypermarkets, supermarkets, foodservice distributors, and to hotels, restaurants and caterers ("HORECA"). Our products are also sold online through our e-Commerce website www.kawanfood.my and various ecommerce platforms such as Lazada, Shopee and Dropee.

Despite the challenging local economic conditions, our domestic sales increased by 9.2% to RM132.8 million in FY2022, up from RM121.6 million in FY2021.



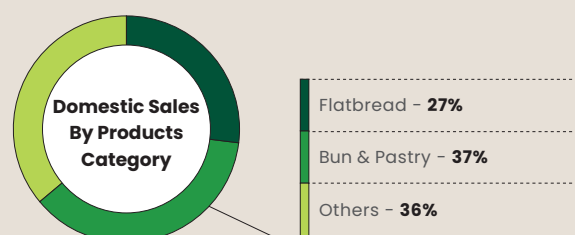
Management Discussion & Analysis



Foodservices revenue had increased by 40.8% from RM12.5 million in FY2021 to RM17.6 million in FY2022 due to rising demand from quick service restaurants. After more than two years of COVID-19 restrictions, our foodservice business was able to thrive again as we captured business opportunities in tandem with the reopening of restaurants and cafes. Malaysia's foodservice sector is expected to grow at a compounded annual growth rate of 10.9% from 2020 to 2025 according to industry data provider, GlobalData. The long-term potential of the foodservice sector continues to be promising and remains a key strategic segment of the Group where we intend to keep building our market share.

Similar to the export market, Flatbread was our largest domestic product category, contributing 27% to local sales followed by Bun and Pastry at 37%.

Our Malaysian market revenue grew in FY2022 through a combination of new and existing customers. We continued to build on our strengths by supporting existing customers with further growth in categories, channels and customers. In FY2022, we successfully extended our channel in convenience store distribution and we aim to continue expanding the channel further in the coming year.



Management Discussion & Analysis

China Operations

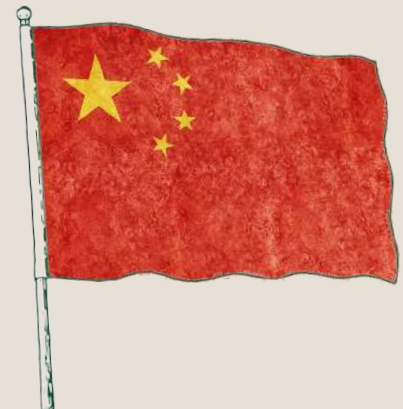
Our China base of operations consists of a manufacturing facility as well as a distribution network that primarily services China's mainland while supporting our global export operations.

China's growth has slowed significantly in FY2022 as it remains under pressure as more transmissible variants have led to recurring outbreaks that have dampened mobility and caused a downturn in the property market. China faces "triple pressure" from shrinking demand, supply disruptions and weakening growth expectations that indicates a weakening of demand. Consequently, it has impacted the foodservice business, resulting in lower domestic sales in China and a corresponding 45.5% decrease in revenue from RM13.2 million in FY2021 to RM7.2 million in FY2022.

RM7.2 MILLION

IN REVENUE FROM CHINA OPERATIONS

2021: RM13.2 million



Management Discussion & Analysis

GROUP FINANCIAL REVIEW

Financial Performance

The Group achieved revenue of RM293.2 million for FY2022, 16.4% higher compared to RM251.8 million in FY2021, driven by higher selling price and the easing of supply bottlenecks in container shipments.

The revenue growth was contributed by both domestic and export sales, where domestic sales grew by 9.2%, and export sales grew by 31.0%. Flatbread remained the highest contributor to the Group's sales revenue in terms of product type, accounting for 57.3% of all sales. In terms of revenue contribution by geographical segments, Malaysia remained the largest market for Kawan, generating 45.3% of the Group turnover, followed by North America at 22.3% and Asia at 17.0%.

The Group's PBT in FY2022 increased by 9.5% to RM40.1 million but PBT margin declined by 0.9% to 13.7% mainly due to higher input cost despite higher selling price and cost optimisation.

ACHIEVED

RM293.2 MILLION

IN REVENUE

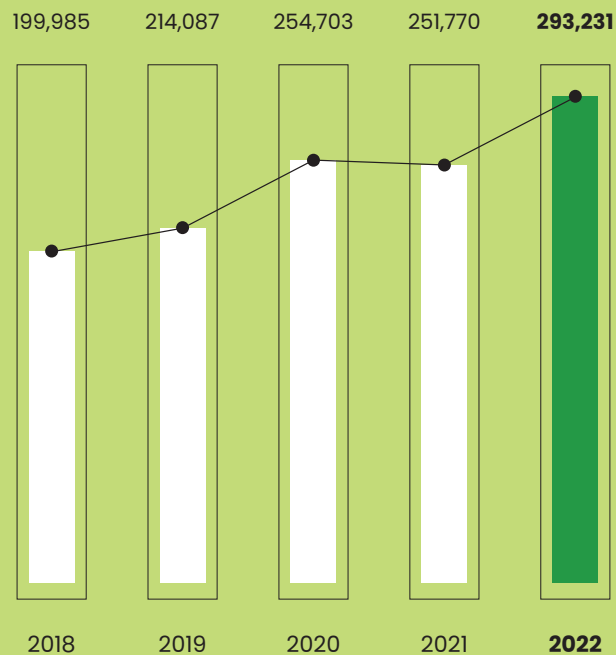
INCREASE OF

16.4%

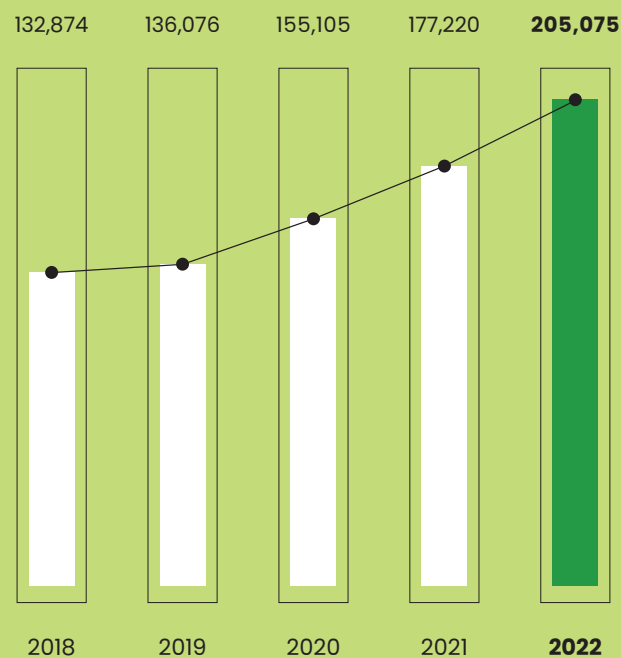
compare to 2021



Revenue (RM'000)



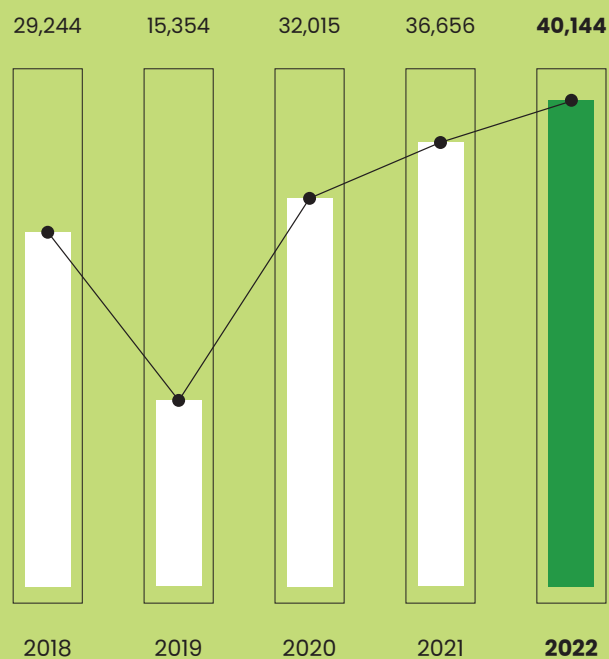
Retained Earnings (RM'000)



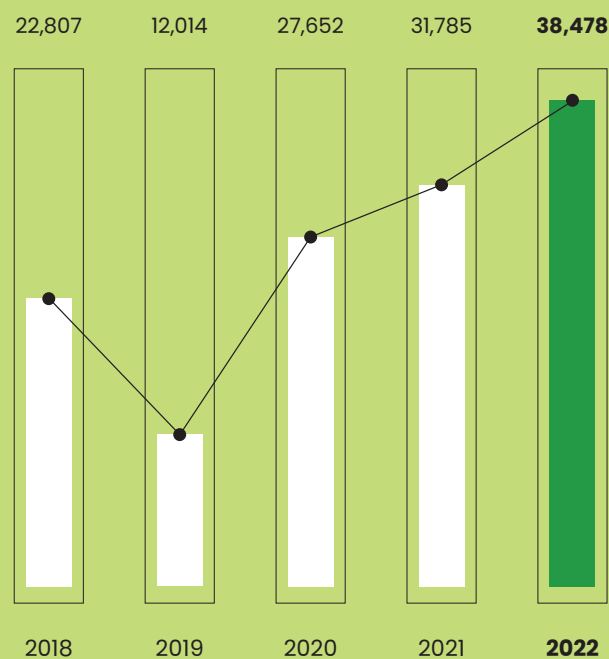
Management Discussion & Analysis

5-YEAR FINANCIAL HIGHLIGHTS

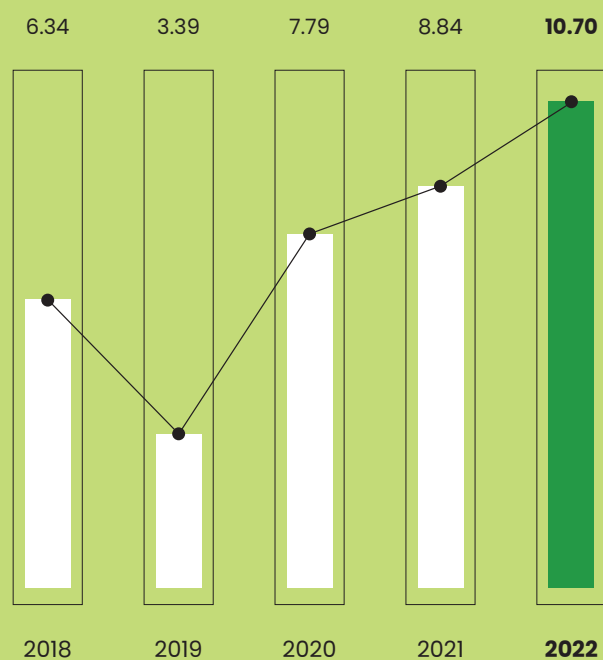
Profit Before Tax (RM'000)



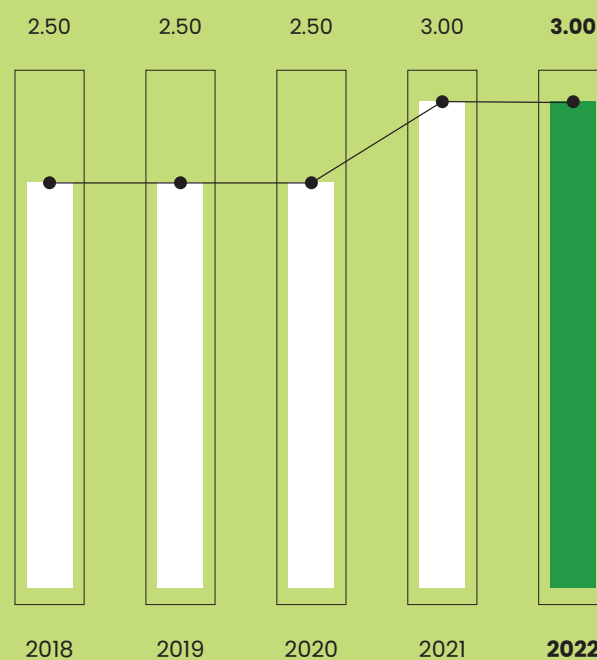
Profit After Tax (RM'000)



Earnings Per Share ("EPS") (sen)



Dividend Per Share ("DPS") (sen)



Management Discussion & Analysis

STATEMENT OF PROFIT & LOSS (RM'000)

	2018	2019	2020	2021	2022
Revenue	199,985	214,087	254,703	251,770	293,231
Profit Before Tax	29,244	15,354	32,015	36,656	40,144
Taxation	6,437	3,340	4,363	4,871	1,666
Profit After Tax	22,807	12,014	27,652	31,785	38,478
Non-Controlling Interests	-	(176)	(365)	-	(21)
Dividends	8,988	8,988	8,988	10,786	10,769
Retained Earnings (opening)	119,055	132,874	136,076	155,105	177,220
Retained Earnings (closing)	132,874	136,076	155,105	177,220	205,075

STATEMENT OF FINANCIAL POSITION (RM'000)

	2018	2019	2020	2021	2022
Issued and Paid-up Share Capital	179,760	179,760	179,760	179,760	184,889
Treasury Shares	-	-	-	-	(1,345)
Non-Distributable Reserve	8,831	8,080	10,143	11,364	8,248
Retained Earnings	132,874	136,076	155,105	177,220	205,075
Shareholders' Fund	321,465	323,916	345,008	368,344	396,867
Non-Controlling Interests	-	1,024	659	658	-
Deferred Taxation	5,660	7,384	9,220	13,618	12,703
Long Term Borrowings	12,980	9,358	5,736	2,113	-
	340,105	341,682	360,623	384,733	409,570
Property, Plant and Equipment, Investment Properties, Right-of-use assets, Prepaid Lease Payments, Investment in Associate and Joint Venture.	249,827	252,185	254,185	246,047	237,007
Deferred Taxation	476	465	486	464	464
Net Current Assets	89,802	89,032	105,952	138,222	172,099
	340,105	341,682	360,623	384,733	409,570

Management Discussion & Analysis

FINANCIAL RATIOS

	2018	2019	2020	2021	2022
Revenue growth (%)	1.89	7.05	18.97	(1.15)	16.47
Current ratio (times)	3.44	3.15	2.89	3.75	4.36
Cash ratio (times)	1.07	1.18	1.42	1.76	1.92
P/E ratio (times)	30.13	41.00	26.69	18.55	20.75
Total borrowings/Equity (%)	5.16	4.85	4.39%	3.28	1.61
Long-term borrowings/Equity (%)	4.04	2.88	1.66%	0.57	-
Basic earnings per share (sen)	6.34	3.39	7.79	8.84	10.70
Dividend per share (sen)	2.50	2.50	2.50	3.00	3.00
Net assets per share attributable to shareholders of the Company (RM)	0.89	0.90	0.96	1.03	1.09
Share Price – High (RM)	3.08	1.96	2.88	2.16	2.41
Share Price – Low (RM)	1.81	1.18	0.82	1.57	1.43
Share price at 31 December	1.91	1.39	2.08	1.64	2.22
Company market capitalisation (RM'000)	686,683	499,732	747,801	589,612	804,932

*restated due to adjustments for bonus issue

FIVE YEAR DIVIDEND PAYMENT AS % OF PROFIT AFTER TAX

	2018	2019	2020	2021	2022
Profit After Tax (RM'000)	22,807	12,014	27,652	31,785	38,478
Dividend Paid (RM'000)	8,988	8,988	8,988	10,786	10,769
Dividend Payment as % of Profit after Tax	39%	75%	33%	34%	28%



Management Discussion & Analysis



Capital Expenditure

During the year under review, the Group incurred capital expenditure amounting to RM16.5 million, which was utilised mainly on infrastructure and equipment upgrades for our Pulau Indah manufacturing facilities to achieve further operational and cost efficiencies. The amount was financed through internally generated funds.

We look forward to continue investing in digitalisation initiatives with an emphasis on technology and process improvements as we embrace the IR 4.0 trend to empower greater growth through innovation.

Dividend

We are pleased to announce that the Group was able to maintain our dividend payout despite the challenges this year. An interim single tier dividend of 3.0 sen per ordinary share amounting to RM10.8 million for FY2022 was paid during the year under review. Additionally, the Group had on 27 February 2023, declared an interim single-tier dividend of 3.6 sen per ordinary share amounting to RM13.0 million in respect of the FY2023, which was paid on 31 March 2023.

INVESTED

RM16.5 MILLION

IN IR 4.0 UPGRADES

2021: RM10.8 million

Management Discussion & Analysis

2023 OUTLOOK AND PROSPECTS

As we enter into FY2023, we acknowledge the potential impact of the recessionary environment and cost of living factors on consumer spending. We anticipate a challenging year ahead but we are proactively working closely with our customers and suppliers to mitigate any challenges that may arise.

To enhance efficiency and improve profit margins, we will simplify our operations while maintaining a strong focus on cost management. We remain committed to motivating and engaging our people to drive operational excellence and sustainable growth.

Our efforts to unlock the potential of the business continue as we build our technology capability to enable profitable growth and improved margins. We are pleased to welcome new team members who will work together to develop a clear and effective strategy to drive our Company's growth. We will be working hard on this in the months ahead as a team.

We are very much looking forward to welcoming Mr Adam Pandian, who will join us as Executive Adviser to Chairman and Head of Transformation in FY2023.

As the Executive Chairman, I am truly grateful for the invaluable support and guidance provided by our Board and I look forward to working alongside them again in 2023 to achieve our objectives.

On behalf of the Board, I extend our gratitude to our shareholders for their support, and to our dedicated Management and employees for their unwavering commitment and tireless efforts. We would also like to express our appreciation to our customers and suppliers for their ongoing commitment and support to Kawan.

Thank you.

On behalf of the Board and Management,

MR GAN THIAM CHAI
Executive Chairman



About This Sustainability Statement



In FY2021, Kawan refined its approach to managing its significant Economic, Environmental, and Social impacts and governance by adopting a Sustainability Strategic Framework encompassing three major pillars: Trusted Enterprise, Nurturing and Empowering People, and Environmental Stewardship.

THIS SUSTAINABILITY STATEMENT:

- Showcases Kawan's progress in monitoring and reporting on material areas
- Offers an insight into Kawan's sustainability strategy, achievements and performance
- Highlights the Group's commitment to creating shared value for all stakeholders by operating and sustainably expanding its business

REPORTING SCOPE AND BOUNDARY

All Group principal business activities in Malaysia as disclosed in the Group Corporate Structure on page 9 of this Annual Report.

The coverage of all data is 100% unless otherwise stated

REPORTING PERIOD

The financial year 2022 ("FY2022") from 1 January to 31 December 2022, unless otherwise stated.

REPORTING REFERENCES

- Global Reporting Initiative ("GRI") Universal Standard
- Bursa Malaysia Sustainability Reporting Guide
- The United Nations Sustainable Development Goals ("UNSDGs")
- International Organisation for Standardisation ("ISO") 2600:2010 Guidance on Social Responsibility
- FTSE4Good Bursa Malaysia Index and other local and international sustainability ratings

FEEDBACK

For questions or comments regarding this statement and sustainability at Kawan, please contact:

Corporate Affairs Department
Lot 129351, Jalan Sungai Pinang 4/19
Taman Perindustrian Pulau Indah
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Contribution to UNSDGs



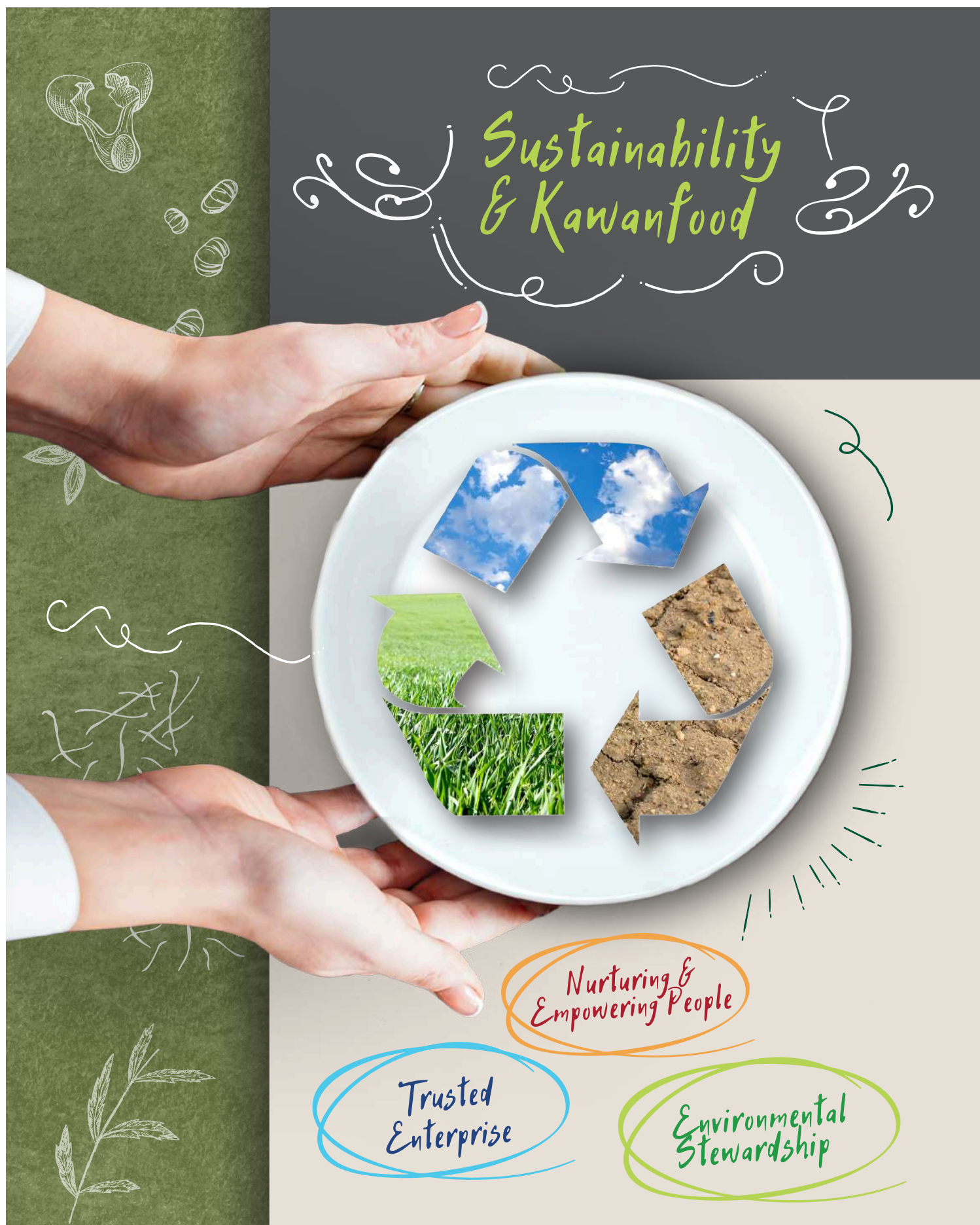
About This Sustainability Statement

Trusted
Enterprise

Environmental
Stewardship

Nurturing &
Empowering People

Our Approach to Sustainability



Our Approach to Sustainability

As Malaysia's leading exporter and manufacturer of frozen Asian food delicacies worldwide, Kawan plays an important role in consumers' lives. The Company's operations provide consumers with authentic, safe and highest-quality products at an affordable price.

Kawan considers sustainability a call to action, with everyone having a part in solving some of the world's challenges. An unwavering commitment to excellence, innovation, reliability, growth, fairness and good citizenship helps the Company to achieve market leadership.

SUSTAINABILITY GOVERNANCE

Kawan has implemented a sound sustainability governance model which aligns sustainability aspirations with its corporate business strategy and goals.

The Board of Directors oversees Kawan's sustainability and environmental, social, and governance ("ESG") matters and is ultimately accountable for the Company's long-term success.

The Executive Director of Marketing and ESG, assisted by the Sustainability Steering Committee ("SSC") and Sustainability Working Committee ("SWC"), is responsible for facilitating and overseeing sustainability matters within the Company. The SSC, which reports to the Board, is chaired by the CEO and comprises senior managers who drive sustainability, review strategies and targets and manage resource allocation for implementing sustainability. All facets of the Company operations are responsible for executing action plans.

SUSTAINABILITY POLICY

Kawan's Sustainability Policy focuses on the following three objectives:

01

Identify activities, products and services with the potential to create impacts

02

Eliminate or reduce adverse impacts through best practices, processes and controls

03

Work towards enhancing its beneficial impacts

We support sustainability goals relevant to the frozen foods sector in our operating markets. We will set measurable objectives and targets related to our significant impacts on sustainability guided by internationally recognised standards and principles.

Kawan's sustainability policy is ingrained into the Company's sustainability journey, which is categorised into three main pillars of Trusted Enterprise, Nurturing & Empowering People as well as Environmental Stewardship.

Our Approach to Sustainability

KAWAN SUSTAINABILITY STRATEGY FRAMEWORK 2021 – 2030

Strategic Pillar	Rationale	Approaches
TRUSTED ENTERPRISE	Building an ethical and efficient enterprise which contributes to Sustainable Development	<ul style="list-style-type: none"> Growth That Benefits All Stakeholders Optimise the Use of Automation and Industry 4.0 to enhance productivity and drive efficiencies Product innovation Sound corporate governance and risk management
NURTURING & EMPOWERING PEOPLE	Focusing on our people and the community in everything we do	<ul style="list-style-type: none"> Promote Well-being Developing Competence Giving Back to Society
ENVIRONMENTAL STEWARDSHIP	Minimising negative impacts on the environment and people throughout products' life cycles	<ul style="list-style-type: none"> Adopt Circularity Measures Reduce CO₂ Emissions Practice Responsible Sourcing

In FY2021, we had set short-, medium- and long-term sustainability commitments reported in our previous Annual Report to implement the Sustainability Policy effectively. The table below presents our achievements and journey in achieving these commitments.

Short-term Commitments (2022 – 2023) vs. Progress



Achieved



In progress*



On track*

Short-term Commitments	2022 Progress	Status
TRUSTED ENTERPRISE		
Improve customer satisfaction <ul style="list-style-type: none"> To improve satisfaction rating To reduce customer complaints by 10% 	<ul style="list-style-type: none"> Customer complaints have decreased by 15.7% 	
Maintain zero incidents of corruption <ul style="list-style-type: none"> Conduct a risk assessment for corruption in operations, including existing and new business partners 	<ul style="list-style-type: none"> To conduct in 2023 	
Maintain HALAL certification <ul style="list-style-type: none"> To have a robust HALAL Assurance System 	<ul style="list-style-type: none"> Halal Assurance System was established 	
Minimise food safety incidents <ul style="list-style-type: none"> Maintain BRC certification grade Reduce total number of notices of food safety and quality violation received <ul style="list-style-type: none"> 10% reduction of complaints per million units ("CPMU") within one year 	<ul style="list-style-type: none"> Maintained BRC Certification Grade A+ 50% reduction in the Complaints Per Million Units (CPMU) 	

Our Approach to Sustainability

Short-term Commitments	2022 Progress	Status
NURTURING AND EMPOWERING PEOPLE		
Enhance skills in business automation and IR 4.0 <ul style="list-style-type: none"> Increase training programmes focusing on technology adoption 	<ul style="list-style-type: none"> IR 4.0 – Lean Manufacturing training was provided with another session scheduled for 2023 	
Establish sustainability-related learning in employees' competence development <ul style="list-style-type: none"> Minimum of two training hours in sustainability topics 	<ul style="list-style-type: none"> Conduct sustainability training in 2023 	
Achieve zero workplace accidents <ul style="list-style-type: none"> To reduce the LTI by 30% Obtain ISO 45001 certification 	<ul style="list-style-type: none"> LTI has increased by 12.3% Efforts are being taken to address the issue 	
	<ul style="list-style-type: none"> Appointed a consultant in December 2022 and will start identifying hazards and risks and provide training 	
Enhance the nutritional value of Kawan's products <ul style="list-style-type: none"> Attain healthier choice standards for products 	<ul style="list-style-type: none"> In the midst of applying for healthier choice logo certification Plant based products, including vadai, purple sweet potato fingers, falafel, meat-free plant-based nuggets and meat-free plant-based chicken finger will be launched in the first quarter of 2023. 	
ENVIRONMENTAL STEWARDSHIP		
Achieve zero environmental legal non-compliance	<ul style="list-style-type: none"> Zero environmental non-compliance 	
Obtain ISO 14001 certification	<ul style="list-style-type: none"> Engaged the services of a consultant in December 2023 and will start in developing the system 	
To reduce non-hazardous waste to landfills from production facilities by 20%	<ul style="list-style-type: none"> The waste has increased by 38% to 674.78 MT Production department are in the midst of revising their strategies for reducing non-hazardous waste 	
To establish a water monitoring and management system and to reduce water use	<ul style="list-style-type: none"> To install a water consumption monitoring meter device at the main water entry for the factory and plant in 2023 	

Our Approach to Sustainability

Medium-term Commitments (2024 - 2026) vs Progress








Achieved



In progress*



On track*

Medium-term Commitments	2022 Progress	Status
TRUSTED ENTERPRISE		
Increase locally procured products/services	<ul style="list-style-type: none"> Increased by 1% to 91% 	
Establish policies on stakeholder engagement and human rights	<ul style="list-style-type: none"> Establishing policies on human rights, packaging, marketing, ingredients selection and sustainable procurement 	
NURTURING AND EMPOWERING PEOPLE		
Conduct annual sustainability-focused engagements and community programmes	<ul style="list-style-type: none"> Contributed RM168k to non-profit organisations to support various community projects 	
ENVIRONMENTAL STEWARDSHIP		
Reduce absolute GHG emissions and intensity	<ul style="list-style-type: none"> A consultant was engaged in December 2022 to develop a GHG inventory and set the baseline and target thereafter A total of 1,884 tonnes of CO₂ have been avoided to date through energy efficiency measures and using renewable energy The iHandal heat recovery system was installed to recover waste heat from the compressors to preheat the boiler feedwater, reducing energy and fuel consumption 	
Increase the use of renewable energy for electricity at production facilities based on a quantitative target set at the end of 2023	<ul style="list-style-type: none"> Solar panels generated 3.22 GWh of solar energy, resulting in cost savings of RM1,143,298 and avoiding 1,884 tonnes of CO₂ and 277 tonnes of fossil fuel 	



Our Approach to Sustainability

Long-term Commitments (2027 – 2030) vs Progress



Achieved



In progress*



On track*

Long-term Commitments	2022 Progress	Status
TRUSTED ENTERPRISE		
Attain membership in sustainability-related initiatives, such as RSPO and UN Global Compact	<ul style="list-style-type: none"> An ordinary member of the RSPO since 20 April 2021 	
Establish an in-house platform for idea generation and onward product development and commercialisation	<ul style="list-style-type: none"> To be established by Engineering Department 	
Increase business automation with a focus on energy efficiency	<ul style="list-style-type: none"> Commissioned a heat recovery system in October 2022 to recover waste heat from compressors to preheat the boiler feedwater 	
NURTURING AND EMPOWERING PEOPLE		
Recruit underserved communities such as other marginalised groups <ul style="list-style-type: none"> Setting a target for at least one individual 	<ul style="list-style-type: none"> In the midst of developing a human right policy incorporating our commitment to provide employment opportunity for local communities including underserved communities 	
Achieve a minimum score of 85% for overall employee satisfaction	<ul style="list-style-type: none"> Commence internal engagement activities among the executives once in two weeks 	
Provide attractive remuneration packages aligned with sector and work situation	<ul style="list-style-type: none"> In the midst of reviewing the remuneration packages 	
ENVIRONMENTAL STEWARDSHIP		
Determine product carbon footprint <ul style="list-style-type: none"> Conducting a Life Cycle Assessment for a selected product 	<ul style="list-style-type: none"> Management is considering the applicability of the LCA on the products 	
Improve the sustainability performance of packaging material <ul style="list-style-type: none"> Increase the use of recycled packaging or sustainable materials 	<ul style="list-style-type: none"> Sourcing sustainable packaging options, including recyclable packaging materials 	
Use sustainably sourced ingredients, especially high-volume ingredients such as sugar, flour, fats and oils	<ul style="list-style-type: none"> Sourcing alternative suppliers for main ingredients 	
Increase the use of Center for Sustainable Palm Oil ("CSPO") in the Company's products	<ul style="list-style-type: none"> Seeking to use CSPO in products in an economical manner 	

* Details of further actions will be further elaborated in the respective sections.

Stakeholder Engagement



Kawan must build a shared understanding of issues and consensus in the future due to the industry's challenges and required pace of change. Ongoing and inclusive stakeholder engagement is the best way to achieve this.

A continuous dialogue with key groups helps identify areas where Kawan can deliver the most significant impact and areas for improvement.



GOVERNMENT AND REGULATORS

Method of Engagement	Frequency of Engagement	Focus Area
<ul style="list-style-type: none"> Statutory submissions Meetings/Workshops Site visits/Conferences 	<ul style="list-style-type: none"> Monthly/Yearly/Quarterly Ad-hoc Ad-hoc 	<ul style="list-style-type: none"> Compliance with legal requirements Support for national plans Timely and responsive communication and action
Meetings/Workshops <ul style="list-style-type: none"> Develops constructive relationships with national, regional and local governments. Maintains regular dialogue on all relevant issues, presenting its views on key legislation, policy and issues. 		



EMPLOYEES

Method of Engagement	Frequency of Engagement	Focus Area
<ul style="list-style-type: none"> Sports & Social Club Events such as the Annual Dinner and Festive celebrations Departmental Meetings Team building Townhall meetings Kawan Connect Policies and Procedures 	<ul style="list-style-type: none"> Ad-hoc Ad-hoc Ongoing Ad-hoc Ad-hoc Quarterly Yearly 	<ul style="list-style-type: none"> Safe and healthy workplace Fair and equal treatment Competitive remuneration Career advancement opportunity Workplace diversity Job security and workplace representation
Meetings/Workshops <ul style="list-style-type: none"> Maintains a cohesive culture throughout the Group, with everyone focused on the same goals. The Group's internal communications support an efficient working environment with effective collaboration. 		

Stakeholder Engagement



EXTERNAL GOODS AND SERVICE PROVIDERS

Method of Engagement	Frequency of Engagement	Focus Area
<ul style="list-style-type: none"> Contractual/Annual Review Regular Meetings Supplier Evaluation Audits 	<ul style="list-style-type: none"> Quarterly Yearly Ad-hoc 	<ul style="list-style-type: none"> Fair and transparent contract Fair pricing Responsive and timely communication Sustainable engagement Supplier management process

Meetings/Workshops

- Regularly engaging with them to understand their views, expectations and perspectives.



LOCAL COMMUNITIES

Method of Engagement	Frequency of Engagement	Focus Area
<ul style="list-style-type: none"> Corporate social responsibility activities 	<ul style="list-style-type: none"> Ad-hoc 	<ul style="list-style-type: none"> Potential job opportunities Impact from operations Community engagement and involvement Timely and responsive communication

Meetings/Workshops

- Kawan community engagement teams have well-established contact networks within local communities and decision-making authorities.
- Meet and engage with the communities to share updates on our business activities, key risks and control measures and help us understand their views.



MEDIA

Method of Engagement	Frequency of Engagement	Focus Area
<ul style="list-style-type: none"> Interviews/Press Releases Advertisements New Product Launches 	<ul style="list-style-type: none"> Ad-hoc Ad-hoc Ad-hoc 	<ul style="list-style-type: none"> News and ongoing Timely and responsive communication

Meetings/Workshops

- Engages on topics of public interest
- Through close relationships, the Group continues to disseminate timely and accurate information on the Group.



INDUSTRIAL AFFILIATES/INDUSTRY AND TRADE ASSOCIATIONS

Method of Engagement	Frequency of Engagement	Focus Area
<ul style="list-style-type: none"> Association meetings Training Exhibitions 	<ul style="list-style-type: none"> Ad-hoc Ad-hoc Ad-hoc 	<ul style="list-style-type: none"> Compliance Knowledge and information sharing Adherence to affiliates' charter and code Participation and support in programmes

Meetings/Workshops

- Engages with think tanks and business associations to exchange knowledge and insights with organisations with similar interests and concerns.

Stakeholder Engagement



NON-GOVERNMENTAL ORGANISATIONS (NGOs)

Method of Engagement	Frequency of Engagement	Focus Area
<ul style="list-style-type: none"> Corporate Social Responsibility and collaboration activities 	<ul style="list-style-type: none"> Ad-hoc 	<ul style="list-style-type: none"> Support of NGOs objectives

Meetings/Workshops

- Works to strengthen its partnerships with organisations dedicated to tackling societal problems in the areas where it operates.



FINANCIAL INSTITUTIONS

Method of Engagement	Frequency of Engagement	Focus Area
<ul style="list-style-type: none"> Meetings Quarterly announcements 	<ul style="list-style-type: none"> Ad-hoc Quarterly 	<ul style="list-style-type: none"> Management of risks Sustainable business relationship

Meetings/Workshops

- Nurtures sustainable relationships with various financial institutions



LEARNING INSTITUTIONS

Method of Engagement	Frequency of Engagement	Focus Area
<ul style="list-style-type: none"> Training and internship programmes 	<ul style="list-style-type: none"> Ad-hoc 	<ul style="list-style-type: none"> Potential internship opportunities Knowledge and information sharing Opportunities for collaboration

Meetings/Workshops

- Works closely with learning institutions to develop young talent and advance the industry through knowledge sharing and research.

We engage with our stakeholders through various methods to understand their areas of interest and concerns. Through this engagement, we performed a materiality study to identify material matters and set targets and strategies.



Our Material Topics

Addressing What Is Most Important

Kawan defined its material topics through a dedicated stakeholder engagement process, which considers a broad universe of issues, assessing:

- 01 The relative importance of each in influencing the stakeholders' decision-making
- 02 Their relative importance for Kawan's business performance
- 03 The Company's broader social, environmental and economic impacts

In 2022, the Company undertook a new materiality study.

THE MATERIALITY ASSESSMENT PROCESS

01

IDENTIFICATION

- Identified key issues and defined stakeholders

02

PRIORITISATION

- Conducted an online survey across nine stakeholder groups

03

VALIDATION

- Obtained Board of Directors input on the relevance of identified material matters

An external consultant performed the study to ensure impartiality and secure the anonymity of the respondents. The survey asked stakeholders to rate the importance of 15 economic, environmental and social issues.

Kawan's Board of directors completed the same survey whose views represented Kawan strategically.



**Government/
regulatory authorities**



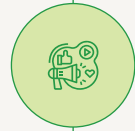
**Local
communities**



Employees



**Industrial affiliates/
Industry & trade associations**



Media



**External goods and
service providers**



**Financial
institutions**





NGOs



**Learning
institutions**

Our Material Topics

We have mapped each material matter against the UNSDGs as presented below.

SUSTAINABILITY AREAS ASSESSED IN THE MATERIALITY STUDY		
Material Matters	Description	Related UNSDGs
ECONOMIC		
Contribution to the Economy	Kawan's contribution to the reduction of economic inequality in society and empowerment of vulnerable groups in its value chain	 
Ethical Business Practices	Management of ethical issues such as corruption, anti-competitive behaviour and fair procurement practices within Kawan's operations and the supply chain	 
Supply Chain Performance	Management of Kawan's suppliers and their environmental, social and ethical performance in the supply chain	 
ENVIRONMENTAL		
Material Use & Packaging	Minimising environmental and social impacts of Kawan's products through sourcing of ingredients and other materials, taking into consideration the product lifecycle	
GHG & Other Emissions	Management of Kawan's greenhouse gas and other emissions throughout its operations and supply chain	
Energy Use	Management of energy consumption throughout Kawan's operations, including transportation-related activities	
Effluents & Waste	Management of water and land pollution from Kawan's operations, including liquid and solid waste	  
Water Use	Management of water consumption throughout Kawan's operations	
SOCIAL		
Employee Interests & Welfare	Ensuring employee satisfaction by upholding the rights of Kawan's employees through fair treatment practices	 
Learning & Growth	Empowering Kawan's employees by providing training and education to advance their skills and competence and support their career development	
Occupational Health & Safety	Providing a healthy and safe work environment for Kawan's employees and those working on its behalf	 
Health & Nutrition	Enhancing the health impacts of Kawan's products and ensuring its product portfolio considers diverse dietary needs	
Engaged Communities	Managing the sustainability impacts of Kawan's operations to surrounding communities wherever it operates and upholding its role as a member of society	
Product Quality & Safety	Ensuring the quality and safety of Kawan's products meet relevant standards and customer expectations	

Our Material Topics

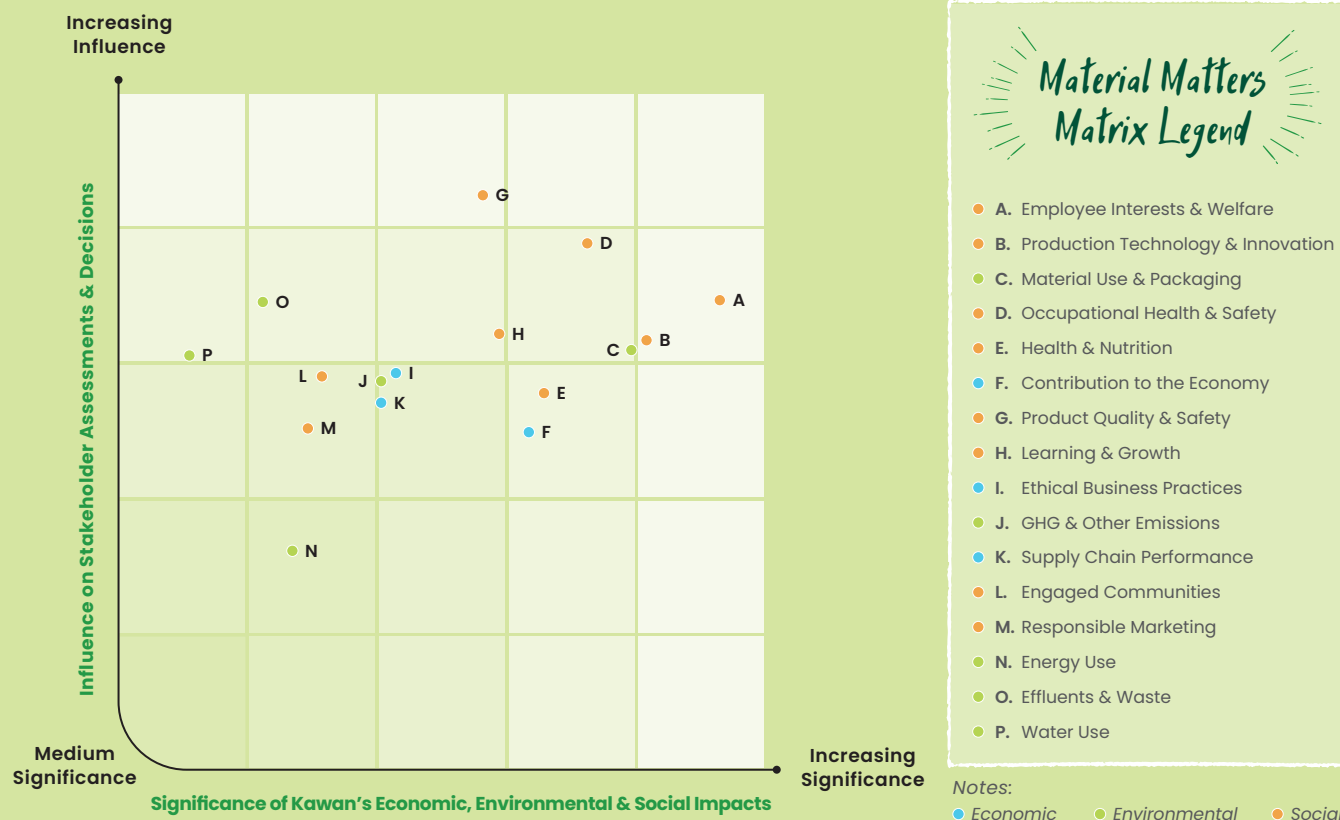
SUSTAINABILITY AREAS ASSESSED IN THE MATERIALITY STUDY

Material Matters	Description	Related UNSDGs
SOCIAL		
Production Technology & Innovation	Enhancing production processes through technology and innovation to maximise Kawan's operational efficiency and manage its sustainability impacts	8
Responsible Marketing	Marketing Kawan's products by providing accurate and adequate information, including sustainability impacts of the products, as well as ensuring the protection of customer data privacy	12

THE RESULTS

In FY2022, the Company reviewed and maintained the 16 material matters which will be reviewed annually to ensure relevance.

FY2022 MATERIAL MATTERS MATRIX



Kawan will continue to intensify its efforts on these material matters. The sustainability team will build on the work performed and drive continuous improvement to bring value to its stakeholders and the Company.

Sustainability Statement

Trusted Enterprise

Kawan adopts a high level of technology to process and preserve food for export to international markets. The Company is experiencing an encouraging rebound in export sales as the country continues to evolve towards endemicity.

Through its operations, Kawan also continues to support relevant Malaysia plans, including the National Plan of Action for Nutrition of Malaysia (2016-2025), the National Strategic Plan for Non-Communicable Disease (2016-2025) and Policy Options to Combat Obesity in Malaysia (2016-2025).

BUSINESS DIVERSIFICATION STRATEGY

In early 2022, Kawan began diversifying by acquiring a 32.5% stake in Kejap Food, a drive-thru outlet serving local food. This diversification aims to increase Kawan's revenue while providing an opportunity to understand the business dynamics and streamline its supply chain.

ETHICAL BUSINESS CONDUCT

Kawan is committed to a high standard of ethics, integrity in business conduct and professionalism as stipulated in its Code of Ethics and Conduct. The Code applies to all employees and directors, including permanent, part-time, contracted and temporary employees.



KAWAN CORE VALUES



Sustainability Statement

Trusted Enterprise



Anti-Bribery and Anti-Corruption

Kawan issued an Anti-Bribery and Anti-Corruption Policy. This policy formalises Kawan's zero-tolerance stance against all forms of bribery, corruption, or misconduct in any business dealings involving the Company, its subsidiaries, suppliers and business partners. The Company has zero tolerance for all corruption and unethical business practices, including bribery, kickbacks, fraud, money laundering and facilitation payments.

The Board oversees Kawan's commitment to anti-corruption and anti-bribery. All board members and department heads received anti-corruption training and refresher programmes, cascading these principles to their respective teams to raise awareness within their departments.

The Company communicates its Anti-Bribery and Anti-Corruption Policy and Procedure to all employees at length during employee orientation and through the Employee Handbook upon joining the Company. All relevant policies are published on the Company website and disseminated to all employees and business partners. All employees must sign an acknowledgement form, and Kawan reminds them of the Company's commitment to anti-corruption during training.

Anyone committing bribery or corrupt acts faces disciplinary action, including dismissal. All contractors, subcontractors and third parties must confirm that they are not involved in misconduct, corrupt, unethical or illegal behaviour. The comprehensive screening of new and existing business partners for corruption and bribery is part of due diligence in the context of Kawan's compliance requirements.



RESPONSIBILITY

We take ownership and responsibility of our results.



TEAMWORK

We work together as a team to achieve our mission by having open communication, mutual respect and sharing of knowledge.



RESPONSIBILITY INTEGRITY

We are committed to be fair & honest in all our dealings and adhere to the highest ethical standards.



DISCIPLINE

We are dedicated and committed to achieve higher efficiency and effectiveness.



INNOVATIVE

We embrace new ideas and constantly changing to meet customers' needs.

Sustainability Statement

Trusted Enterprise



There were no major disciplinary cases for corrupt practices resulting in the dismissal of employees. The Company had not received fines and penalties from the authorities during the recent years and reporting period, which demonstrates the effectiveness of its stringent anti-corruption policies and practices.

Whistleblowing

Kawan's Whistleblowing Policy provides a formal mechanism for employees and the public to report concerns, suspicions or known misconduct, wrongdoings, unlawful acts, corruption, fraud, waste, abuse, product safety, integrity, quality and legality. The Policy also protects whistleblowers from reprisals for disclosures and safeguards the reporting individuals' confidentiality.

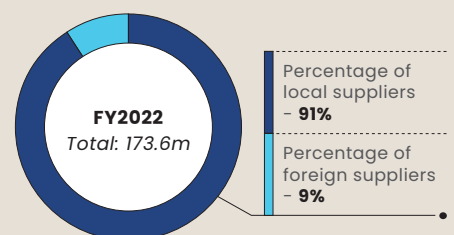
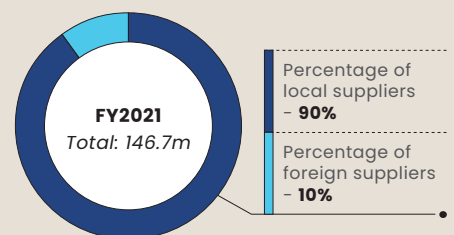
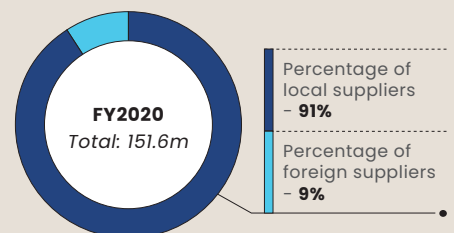
Kawan's whistleblowing committee comprises the Senior Independent Director, CEO and Head of Human Resources. The Committee is responsible for investigating and acting on any concerns or allegations of misconduct.

No whistleblowing cases were raised during the year.

SUPPLY CHAIN SUSTAINABILITY

Local and sustainable sourcing is in the Company's DNA, allowing the business to support the local economy and minimise its operational footprint. We prioritise hiring locals in our recruitment strategy whenever feasible.

Total procurement spent



Sustainability is integral to an organisation's procurement process. Kawan improves its business practices and operations to manage risk while increasing supply chain efficiency through supplier engagement, recognition and sustainable procurement.

Kawan is committed to upholding business ethics by supporting business opportunities and capacity building for local and diverse suppliers in its operations through its supply chain.

Sustainability Statement

Trusted Enterprise

Supplier Engagement

Suppliers are crucial in integrating sustainable development into key business activities, including constructing facilities, delivering machinery, supplying equipment, and managing environmental and community impact.

Kawan regularly engages with its suppliers through business reviews and supplier audits to identify sustainable development opportunities and risks in the supply chain of critical categories to ensure alignment with the Company's ESG performance objectives. These engagement sessions review performance metrics to identify continuous improvement opportunities. Kawan also shares best practices that may help increase supply chain capacity.

Kawan's formal Purchasing Policy outlines the screening process for adding new suppliers to the 'Approved Supplier List'. Kawan's suppliers are selected based on their merit and value proposition: product and service quality, competitive pricing, prior track record and business ethics.

Kawan audits new suppliers requiring them to self-declare and present relevant updated certifications on questionnaires. Performing compliance audits on key or critical suppliers guarantees compliance with Kawan's quality requirements and regulatory hygiene standards.

Kawan plans to expand the scope of its supplier audits to include social and human rights elements such as child labour, forced labour, safety and health.

Socially and Environmentally Responsible Supply Chain

Kawan is in the midst of developing a Sustainable Supply Chain Policy and a procurement sustainability questionnaire. We aim to implement this in 2023 for all new suppliers and key suppliers. The questionnaire will assess the following:

Environmental Supply Chain	Social Supply Chain
<ul style="list-style-type: none"> Environmental risks Environmental compliance Environmental governance Environmental systems including Environmental Management System (EMS) and certification standards Environmental targets Environmental programmes Waste reduction Resource use 	<p>All social elements are evaluated including:</p> <ul style="list-style-type: none"> prohibiting child labour and forced labour providing equal opportunities and non-discrimination respecting freedom of association and rights to collective bargaining eliminating excessive work hours meeting minimum wage providing a safe workplace including safety performance such as fatalities, lost-time injury, illness and accident rate protecting foreign workers' rights including rights to fair treatment and decent living conditions

Kawan will integrate environmental and social policies into the supply chain and communicates what it expects from major suppliers through regular communication, sharing best practices and training relevant supplier staff. The Company will integrate its supply-chain ESG commitment into procurement policy.

We are committed to working with our suppliers on environmental and social sustainability aspects. Kawan also communicates its expected social and environmental conduct from major suppliers through its procurement policy. Potential, new and existing suppliers will be subject to an environmental risk assessment as part of due diligence to enable us to understand and monitor how our suppliers adhere to sustainable business practices in their operations. Suppliers are invited to join us on the Company's green journey. They are encouraged to monitor, record and report their environmental performance and reduce their impact.

Responsible Sourcing

Kawan is developing a sustainable sourcing strategy – a long-term quantitative base target of procuring sustainably produced items, including sugar, flour, fats and oils.



Sustainability Statement

Trusted Enterprise

ADVANCING THE INDUSTRY THROUGH MEMBERSHIP AND COLLABORATION

Industry associations provide a platform for sharing global best practices in the industry's interests and those with which it works. They develop technical standards and public policy positions and provide a forum for debate among members.

Kawan is a member of the Federation of Malaysian Manufacturers ("FMM") and Malaysia External Trade Development Corporation ("MATRADE"). The Company also works closely with other trade associations, such as the Malaysian Institute of Food Technology (MIFT). Kawan engages in advocacy activities related to the food sector; the membership also provides a forum to advance industry standards. Industry players come together and adopt sustainable development that benefits the food sector.

OPERATING RESPONSIBLY

An unwavering commitment to excellence, innovation, reliability, growth, fairness and good citizenship helped Kawan achieve market leadership.

Kawan improves production efficiency and service quality by employing technology, automation and digitalisation. The Company has developed a strategic roadmap, aligned with the Malaysian government's 'Industry 4.0' Blueprint, to transform Kawan into a best-in-class food manufacturing company.

REDEFINING MANUFACTURING THROUGH AUTOMATION

Kawan invested in Robot Palletizers to realise the benefits of automation through greater productivity and efficiency gains. Automated palletizing enhances quality and production speed while improving working conditions and employee safety, resulting in on-time production and further cost savings.



SAFE CONSUMPTION

Consumers increasingly expect food brands to create products without artificial additives. Kawan's Procurement Policy outlines the approach to selecting ingredients. Some of our products contain artificial enhancers such as phosphates, MSG, artificial colours and flavourings. In the future, Kawan commits to:

01

Using approved natural colourings in all products

02

Not intentionally adding preservatives into products unless the preservatives are already used in the raw materials

PRODUCT SAFETY AND QUALITY

Employees are the first line of defence for food safety. Kawan trains employees and actively enforces its food safety policies and procedures. Several food safety and quality principles form the basis of Kawan's corporate commitment.

Kawan's Food Safety and Quality Principles

Kawan's Quality Assurance Team supervises all aspects of the product safety life cycle, including ingredient sourcing, research and development, production, packaging and product delivery. A robust Hazard Analysis Critical Control Point (HACCP) System helps the Team manages potential risks.

All systems implemented in Kawan are based on industry-leading food safety systems and comply with international food safety and quality management standards, supported by a strong food safety and quality culture policy. Setting the benchmark for excellent manufacturing practice assures customers that products are safe, legal, and quality.

Sustainability Statement

Trusted Enterprise



Kawan Food Manufacturing Sdn Bhd in Pulau Indah was accredited with BRCGS Food Safety, MS1480 HACCP and MS1514 GMP.

Kawan's commitment to food safety and quality is also enforced among its supply chain partners. When selecting new suppliers, Kawan sets food safety and quality standards that suppliers must fulfil. Suppliers' compliance with these standards is reviewed annually.

All raw material ingredients must be within approved specifications to ensure they are free from chemical, microbiological and physical contamination and food fraud. Regular product supply chain audits are conducted and cover the following factors:

In 2022, Kawan audited 17 suppliers, which achieved an average score of 79.4%. Kawan's product and innovation team will continue:

- Offering wider healthy food and beverage options for a healthier community
- Working with industry peers on strategies to promote products with less negative impact
- Addressing negative product impact, especially processed foods and drinks

As Kawan's product range is safe for consumption for all age groups, the Company declared allergen labelling and statement to protect vulnerable groups from consuming some of its products.

Kawan did not recall any of its products in FY2022.

PRODUCT SAFETY AUDITED AREAS

Food safety & quality	Site standard	Facility layout	Production & processing area condition	Personal hygiene
Training	Sanitation	Waste control	Machinery and equipment status	Pest control
Incoming material inspection	Storage	Transport	Food fraud	Food defence

Sustainability Statement

Trusted Enterprise



PROMOTING BETTER NUTRITION AND HEALTH

The food manufacturing industry plays an essential role in shaping dietary habits. Kawan produces safe, tasty and sustainable food that is nutritious and affordable. The Company commits to improving access to better nutrition.

As a food manufacturer with a global presence, Kawan leverages its R&D expertise to deliver an extensive portfolio of products that are good for customers and the planet.

A recent survey by Herbalife Nutrition polled over 8,000 consumers in eight Asia-Pacific markets: Australia, Indonesia, Japan, Malaysia, Philippines, South Korea, Taiwan and Vietnam. The study found that consumers' diets and lifestyles had changed, favouring healthier choices and a greater openness towards plant-based food. Adapting to this research, Kawan will introduce meat-free nuggets, fingers and snacks as a plant-based diet is associated with several potential health benefits.

Kawan's product and innovation team will continue offering a broader range of healthy food and beverage options for a healthier community. The Company actively promotes its healthy range of products with

a less negative impact through attractive pricing. Kawan also works closely with universities on strategies to promote products with less negative impact.

HELPING CUSTOMERS UNDERSTAND THEIR CONSUMPTION THROUGH RESPONSIBLE ADVERTISING AND MARKETING

Our marketing and advertising practices are guided by the Garis Panduan Pengiklanan Makanan (KKM) for domestically produced food and the International Chamber of Commerce (ICC)'s 'Advertising and Marketing Communication Practice' code for export food. We also adhere to standard Food & Drug Administration's (FDA) guidelines for product labelling design in all the markets in which we operate.

Detailed food packaging and product label help customers become savvy about their choices, particularly processed foods and drinks. The Company is committed to responsibly marketing all food products.

Detailed guidelines govern product advertising, marketing and labelling. All product labels inform customers of the food or beverage contents and deliver concise and practical nutrition-related information to encourage healthier food choices. Examples include "high in fibre", "high in protein" and "low in sodium".

Sustainability Statement

Trusted Enterprise

CUSTOMER SATISFACTION

Customer satisfaction is instrumental in the success of the Company. Kawan provides consumers with authentic products of the highest quality. Day-to-day consultations with customers help facilitate the Company's efforts to ensure Kawan offers products that benefit its customers. The Company accepts customer inquiries by phone and email and endeavours to respond promptly, accurately and sincerely.

Kawan conducts an annual customer satisfaction survey that measures customers' perceptions of product quality, product availability and timeliness, customer service, complaints and overall satisfaction.

Kawan's customer satisfaction performance has improved compared to the previous year.

RATING	2021	2022
MARKET: EXPORT		
Fully Satisfied	100%	100%
Neutral	0%	0%
MARKET: LOCAL		
Excellent	15.99%	37.75%
Very Good	55.59%	43.85%
Good	25.38%	18.11%
Fair	2.49%	0.25%
Poor	1.54%	0.04%

INFORMATION SYSTEMS AND CYBERSECURITY

Kawan relies on a robust ICT structure for its daily business operations, internal communications, controls, reporting and communications with customers and suppliers.

Information may face various risks, threats, and vulnerabilities in an increasingly interconnected global environment. Kawan has a robust Information Security Management and invests in information and cybersecurity to protect technology, assets and critical information to avoid damage from unauthorised access to the Company's system and data.

Kawan provides security awareness induction training to new employees. The training touches on emerging threats and issues related to global cybersecurity.

Data Privacy

The privacy and security of customers, employees and other stakeholders are central to the business reputation. Our group-wide data privacy practices deliver a robust approach to securing information assets, overseen by the Board and supported by the IT department. The Group undertakes continuous efforts to engage with employees on the importance of data privacy through use-case scenarios to address potential issues.



Sustainability Statement

Environmental Stewardship

As the industry's innovation leader, Kawan works with suppliers and customers to create more sustainable products by:

- 01 Increasing its impact across its operations and supply chains
- 02 Helping customers reduce their footprints

Kawan's Environmental Policy provides strategic guidance on addressing critical environmental performance aspects, including climate change, pollution, energy consumption, air emissions, waste and water management, environmental performance monitoring and environmental compliance.

ENERGY

Diesel and electricity account for much of the Company's total energy consumption, producing environmentally harmful carbon dioxide (CO₂) and other greenhouse gas (GHG) emissions.

Energy consumption at Kawan has been stable over the past three years. The energy intensity, which is the energy consumed per kg of output, has improved over the years due to greater production efficiency.

	2020	2021	2022
Total energy consumption (kWh)	12,521,796	12,216,070	14,422,211
Electricity consumption (kWh)	12,521,796	9,311,752	11,201,653
Solar Energy Generated (kWh)	0	2,853,318	3,220,558
Energy Intensity (energy/kg)	0.68	0.77	0.58



Kawan reduces its energy consumption and carbon footprint by using renewable energy and improving energy efficiency. During FY2021, Kawan installed a solar photovoltaic system. Renewable power sources, such as solar energy, are essential for reducing greenhouse gas emissions and mitigating climate change. Solar energy can also improve air quality and reduce water use from energy production.

Sustainability Statement

Environmental Stewardship



CLIMATE CHANGE

In 2021, the Intergovernmental Panel on Climate Change ("IPCC") warned that scientists are observing changes in the earth's climate in every region and across the whole climate system. Kawan understands the urgent need for action and is committed to playing its part.

The Group recognises the devastating effects and associated risks that climate change presents to the business in the short and long term. Kawan has determined risks and opportunities related to climate and GHG, which will be addressed in future strategies.

KAWAN CLIMATE CHANGE AND GHG RISKS AND OPPORTUNITIES

Risk

GHG emissions from the use of energy and other pollutant gases at the operations level and throughout the supply chain contribute to climate change and pollution, which can lead to reputational loss. Climate change can also impact the business through increased production costs due to increased raw ingredient costs, climate adaptation and mitigation costs, including safety and health, and potential market instruments and laws.

Opportunities

Being proactive in the changing business environment will ensure the company is prepared to meet the varying expectations of the stakeholders.



ENERGY GENERATED

3.2 GWh



SAVINGS

RM1,143,298



CO₂ AVOIDANCE

1,884 tonnes



FOSSIL FUEL AVOIDANCE

277 tonnes

Kawan commissioned a heat recovery system in October 2022. The system recovers waste heat from compressors to preheat the boiler feedwater, reducing energy and fuel consumption.

Compressed air is a critical component of the plant's operation. The Company also aims to deploy an Air Compressor Monitoring System to track compressed air usage. The Monitoring System will provide demand and supply analysis, allowing for more precise development and smart consumption management for future plant expansion.

Kawan's climate change strategy includes working with employees and supply chain partners on energy-saving options and engaging a consultant to establish ISO 14001. In FY2023, the Company will establish its GHG inventories, and devise strategies to manage and minimise its environmental impact. Quantitative targets and

Sustainability Statement

Environmental Stewardship

KPIs will be set at the end of 2023. Kawan's management team, headed by the Executive Director of Marketing and ESG, who reports directly to the Board, is at the forefront of driving these initiatives. Progress reports and proposals on energy management, climate change and pollution reduction are tabled for discussion at management and/or Board meetings.

Emission Generated			
	2020	2021	2022
Scope 1 emissions (tCO₂e)	586	735	544
Scope 2 emissions (tCO₂e)	7,325	5,487	8,425

In FY2022, we have improved our data and CO₂ quantification. In FY2023, a GHG consultant will be engaged for greater accuracy in data.



WATER

High usage strains water resources, resulting in wastewater pollution that may degrade water quality. Kawan does not operate in any (zero operations) water-stressed locations. However, the Company seeks ways to optimise its water consumption, such as existing rainwater conservation tanks. Rainwater harvesting is available on Kawan's Pulau Indah site for cleaning, cooling tower usage and flush toilet systems.

In 2022, water consumption was reduced by almost 10% compared to the previous year due to various water-saving initiatives, implemented at our operations. This efficiency is also reflected in the gradual improvement in Kawan's water intensity.

	2020	2021	2022
Water consumption (m³)	52,172	57,336	51,883
Water discharged (m³)	No Data	13,543.5	10,479
Water intensity (water consumption/kg)	0.0028	0.00363	0.00268

Kawan installed a water consumption monitoring meter at the main water entry for the factory and plant room. Kawan will disclose the impact of these initiatives in the next Annual Report.

POLLUTION PREVENTION

Kawan is committed to addressing pollution by avoiding its impact and improving efficiency by:

- 01 **Reducing hazardous waste and pollutants, properly handling these materials and preventing air, water and soil pollution**
- 02 **Complying with laws, regulations and ordinances related to air, water, and soil pollution and rules covering other hazardous substances**
- 03 **Reducing the emissions of pollutants and contaminated substances not subject to current laws, regulations and ordinances**
- 04 **Reducing air pollutants emitted from its manufacturing plants by voluntarily enacting stricter activity standards than legal requirements**

Kawan Food Pulau Indah generates carbon dioxide, nitrogen dioxide and sulphur dioxide from thermal and steam boilers emitted into the chimney boiler. Complying with DOE standards and regulations regarding these emissions, the Company examines its resource use to minimise its impact and maximise efficiency.

Exceeding regulatory requirements, Kawan has set an internal target to reduce or avoid pollution from its operations, waste disposal and resource use. The Company received no environmental fines and penalties during the year.

Sustainability Statement

Environmental Stewardship

WASTE MANAGEMENT

Improper disposal of effluents containing substantial chemicals and nutrients may significantly degrade water quality and the ocean's biodiversity. Similarly, poor waste management can cause air, water and soil pollution, threatening the environment and human health. Generating excessive manufacturing waste can strain natural resources and ultimately degrade the environment.

Kawan is committed to addressing waste by reducing its impact and improving efficiency across all operations. Waste and effluent management complies with the following:

- The Environmental Quality (Scheduled Wastes) Regulations 2014
- The Environmental Quality (Industrial Effluent) Regulations 2009
- Other relevant local government regulations.



	2020	2021	2022
Total waste* (MT)	226.79	489.53	674.78
Non-hazardous waste (MT)	225	89	113
Total scheduled waste (MT)	1.79	5.02	2.22
Waste diverted from landfills* (MT)	No Data	395.51	559.56

* This waste does not include all cartons and we will work to disclose in the next reporting.

The total amount of waste generated rose by 37.8% to 674.78 because of a surge in an increase in non-hazardous waste. The amount of non-hazardous waste generated increased by 27.02% to 113 MT which was mainly due to increase in production activities.

Detailed data on Kawan's waste can be found in the performance data table on page 62.

WASTE SEGREGATION AND RECYCLING

Kawan implemented a waste segregation system which aims to prevent adverse environmental impacts that may arise from waste such as food scraps, paper and liquid waste that can mix and decompose, releasing run-off into the soil and emitting harmful gas into the atmosphere.

In FY2022, Kawan diverted 559.56 metric tonnes from landfills through recycling. The Company continues to explore innovative ways to reduce its material and paper consumption. For example, adopting Microsoft 365 has reduced paper waste through data storage and monitoring.

ADOPTING A CIRCULAR APPROACH TO RESOURCES AT KAWAN'S FOOD MANUFACTURING ARM

Focusing on a more circular approach that recovers and reuses resources lowers the Company's environmental impact. In FY2022, Kawan diverted 83.0% of its total waste volume towards other productive uses. Examples of circular approach initiatives at Kawan's Food Manufacturing arm include:

- 01 Selling used cooking oil to external parties for conversion into biodiesel**
- 02 Recycling excess dough into animal feed**
- 03 Implementing an auto wrap-film stretch system to reduce material consumption**

A licensed third-party waste management company collects this waste on a regular basis.

Kawan invited employees to support its 3R initiatives. Placing recycled bins around the office encouraged employees to recycle paper and plastic.

TACKLING PLASTIC WASTE

Kawan fully supports efforts to promote a circular approach to plastics and is committed to increasing the use of sustainable packaging materials. The Company will continue addressing ways to tackle some more challenging plastic materials and packaging.

Sustainability Statement

Nurturing & Empowering People

Kawan differentiates itself through the quality, commitment and integrity of its people. With a 'Safety First and Quality Always' mindset, the team continues to deliver value for customers.

Kawan's workforce demonstrated remarkable resilience and agility through constantly evolving and challenging circumstances throughout 2022. The Company complies with the Malaysian Employment Act 1995 and all other applicable labour regulations in Malaysia and the regions in which it operates. Kawan also adheres to the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.

Kawan's Code of Conduct stipulates stringent yet fair employment standards and practices. This stance is communicated to all employees in English as it is the most commonly used business language.

As part of the Company's risk assessment procedure, Kawan will assess the labour standards of existing and potential business and supply chain partners as part of due diligence in FY2023. All parties are familiarised with Kawan's Code of Conduct from time to time. There were no instances of non-compliance with labour standards during this reporting period.



DIVERSITY AND INCLUSIVITY

Sustainability Statement

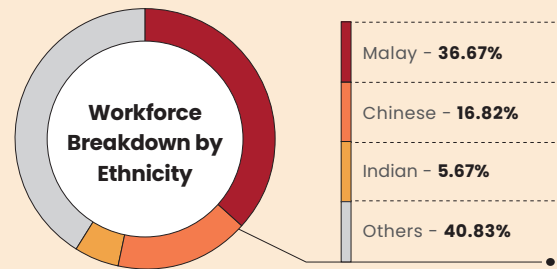
Nurturing & Empowering People



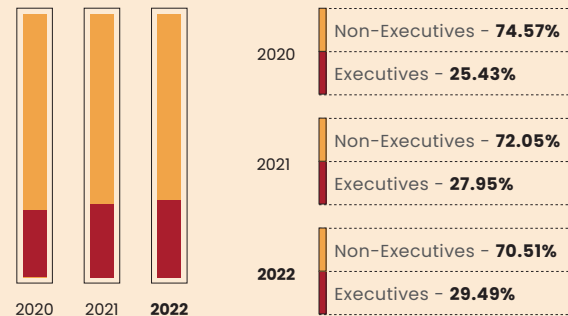
Kawan is committed to building an inclusive workplace where everyone feels they belong and can fully contribute to the Company's shared success. Kawan champions inclusion at all workforce levels, reflecting the diversity of the communities in which it operates.

Guided by its Diversity Policy, Kawan continues to foster a work culture that values equality, fairness of opportunity, openness and freedom from bias and discrimination.

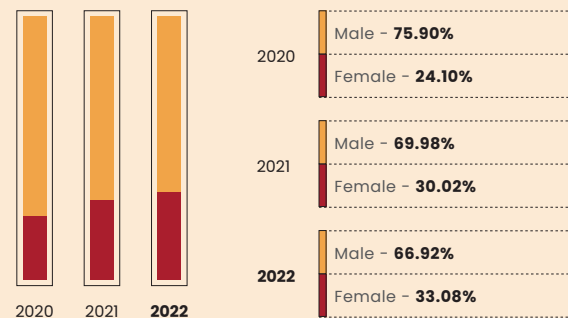
Workforce Breakdown by Ethnicity



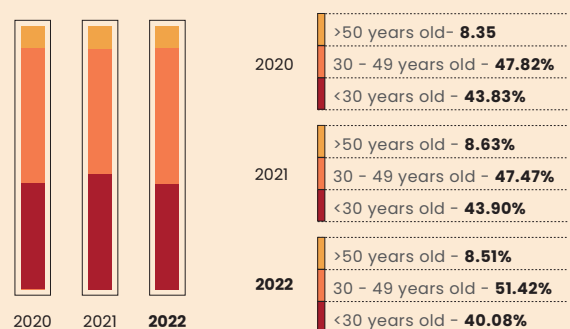
Workforce Breakdown by Employment Category



Workforce Breakdown by Gender



Workforce Breakdown by Age Group



A detailed breakdown of Kawan's workforce can be found in the performance data table on pages 63 to 65.

Sustainability Statement

Nurturing & Empowering People



LOCAL EMPLOYMENT AND SOURCING

Kawan adheres to local labour laws during recruitment and prefers hiring locally. Diversity in workplace fosters innovation, tolerance and performance. As a result, we seek to provide equal employment opportunities regardless of race, gender, religion, age or disability. The Company does not discriminate in its hiring process. 0.2% of employees were disabled as of the end of FY2022.

Kawan's non-discriminatory hiring policy provides equal employment opportunities to underprivileged groups, including those from deprived or poor social backgrounds. This recruitment strategy offers internships and graduate placements to address youth unemployment.

ENHANCING EMPLOYEES EXPERIENCE

Kawan passionately creates a positive and engaging environment that inspires all its people to give their best. Engaging with employees leads to future sustainable business growth and performance.

The Human Resources team has a specific structure to facilitate engagement and tracks employee engagement regularly. Kawan hosted various engagement events during the year, including festive celebrations, an open house, team building, departmental lunches, tea breaks and a foreign workers' polling day.

WHAT IS FOREIGN WORKERS' POLLING DAY?

The manufacturing industry relies heavily on foreign workers to fill shortages of unskilled general workers. 34.0% of Kawan employees are non-Malaysian, mostly Burmese and Nepalese.

Kawan supports its migrant workers by appointing foreign workers representatives during the Foreign Workers Polling Day. The management works closely with these representatives to resolve any raised issues, providing a conducive working environment and making them feel at home.

Introducing a formal Grievance Policy helped nurture a healthy working environment and work relationships. Employees may raise work-related issues with their managers. Employees who feel their rights have been violated may also use the Company's grievance channel, a formal mechanism for raising human rights issues. The Company aims to resolve problems and grievances promptly, as close to the source as possible, and offer a remedy for affected parties. When necessary, Kawan escalates complaints to a higher authority for discussion and resolution, continuing to escalate upwards until its resolution. Kawan investigates before a grievance meeting, which quickens the decision time. Employees may also appeal the decision.

Sustainability Statement

Nurturing & Empowering People

COMPETITIVE BENEFITS

Kawan benchmarks its remuneration and compensation packages with its industry peers. Comprehensive benefits, complementing competitive basic salaries, include the following:

- ✓ **Leave**
marriage leave, compassionate leave and examination
- ✓ **Medical and hospitalisation**
outpatient medical bill under panel clinics, hospitalisation & surgical insurance and personal accident insurance
- ✓ **Allowances**
night shift allowance and call back allowance
- ✓ **Other incentives and rewards:**
production KPI incentives, annual bonuses, management incentives, long service awards and an Employee Share Option Scheme (ESOS)

LONG-SERVICE AWARDS RECIPIENTS 2022

Tenure at Kawan	Qualifying employees in 2022
10-14	34
15-20	24
>21	9

Kawan's annual compensation review for pay equity ensures we pay all employees fairly. The Company upholds its stand of equal pay for equal work and complies with all local laws. The principle of equal remuneration for work of equal value must be respected when setting different minimum wages, regardless of race, gender, age or other factors.

TRAINING AND DEVELOPMENT

Providing several learning opportunities throughout employees' careers ensures they develop the required skills to perform their responsibilities. Kawan invests in employees' development and supports career advancement to meet changing business needs.

Employees receive internal and external training. Mandatory and voluntary training equips employees with the relevant skills to perform their jobs. They are also encouraged to obtain certifications to perform specific tasks or be involved in particular processes.

A formal performance management system empowers employees to take ownership of their career paths, including action plans and goals. Each employee's career management framework guides their career progression from their current position to their desired career path.

Examples of training programmes held during the year include Integral Coaching, Leadership by Design, SMETA Awareness Training, Personal Appearance and Behaviour, Anti-bribery and Corruption, Halal Awareness, Food Handler Training, Forklift Refresher Training, Sustainability and International Trade for Export-Oriented Companies as well as Hygiene in Food Processing Premises.

TRAINING AT A GLANCE

Training	Unit	FY2020	FY2021	FY2022
Total time	Hours	3,381	1,167	5,604
Average hours of training per year per employee by category:	Hours	6.29	3.54	10.4
- HODs and managers		1.61	0.74	2.61
- Executives		2.57	2.15	2.99
- Non-executives		2.11	0.65	4.8
Average days per year per employee	Days	0.9	0.3	1.4

The average days per year per employee increased by 367.7% due to the delivery of more training sessions to upskill employees and improve their performance. Additional training will improve productivity, increase efficiency, and increase employee job satisfaction.

Progress Against Targets

The following table presents Kawan's progress towards achieving its short-term goals (by 2022/2023).

INITIATIVES	ACHIEVEMENT STATUS AS OF 31 DECEMBER 2022
Average eight hours of training for all employees	100%
Mini team-building activities for all office-based employees	100%

Sustainability Statement

Nurturing & Empowering People

OCCUPATIONAL HEALTH AND SAFETY

Employee health and safety are relevant and essential. Kawan's health and safety policy governs all stakeholders, including contractors on the premises. The management is committed to continuous improvement and compliance with OHSA 1994, FMA 1967, EQA 1974 and other applicable acts, legislations, orders, rules, codes of practices and other requirements to which Kawan subscribes.

Kawan is in the midst of revising the formal Occupational Health & Safety Policy for all employees, suppliers, visitors and contractors. Mr Andy Yeap, Chief Operating Officer of Kawan, chairs the Health, Safety and Environment Committee. The Committee comprises an advisor, chairman, secretary, 11 employer representatives, 14 employee representatives and two foreign worker representatives. The Committee oversees Kawan's health and safety management convening quarterly to discuss various aspects of risks, including analysing past incidents, determining root causes and developing plans to mitigate such incidents.

The Company complies with Occupational Safety and Health Act 1994 and its regulations, continuing its journey towards a best-in-class safety culture. Kawan's Emergency Response Team ("ERT") is the first responders during any emergency during plant operation. The ERT team comprises 63 members, including 28 first aiders as of 31 December 2022.

In FY2022, the Company received a fine for the presence of Aedes larvae on its Pulau Indah plant. To prevent recurrence of such incidents, we carried out fogging on a monthly basis.

KEY ELEMENTS OF THE COMPANY'S APPROACH TO SAFETY MANAGEMENT

01 TRAINING

Kawan provides professional training and certification for staff and management responsible for safety induction. Examples of safety training topics delivered during the year include working at height, permit to work, chemical handling, tabletop drill exercise, accident response management, ergonomic and manual handling safety, fire prevention, mental health and forklift safety. In 2022, health and safety programmes addressed mental health, and Kawan delivered safety-sharing sessions and a fire drill.

02 RESPONSE

Kawan is committed to responding responsibly and quickly to all employee injuries and illnesses.

 Refer to page 57 of this Annual Report for the Company's safety statistics.

03 TRACKING

The Company continuously monitors and measures its safety performance using key performance indicators. The HSE committee conducts monthly safety and health inspections as part of the GMP audit and reports the results internally during quarter HSE meetings. GMP ensures manufacturing products are consistently produced and controlled according to set quality standards.



Sustainability Statement

Nurturing & Empowering People

HEALTH AND SAFETY PERFORMANCE

	FY2020	FY2021	FY2022
Number of work-related fatalities	0	0	0
Total man-hours worked	1,452,000	1,500,000	1,832,160
Lost time incident rate	11	7.3	8.2
Severity rate	77	84.7	73.7
Frequency rate	15	9.3	13.1

Above is a summary of the Group's safety performance for the past three years. The lost time incident rate for employees has increased by 12.3% to 8.2 in FY2022 as the number of reported incidents with MC has increased. The Group is examining various mitigation plans to reduce the LTI rate and frequency rates such as:

- Increasing employees' awareness of safety and health
- Increasing health, safety and environmental competencies among heads of departments
- Ensuring full compliance with all applicable safety legislation
- Promoting a healthy workplace through various health and wellness programmes
- Conducting regular safety and emergency equipment maintenance checks

Over the last year, we received more reports due to increased awareness of the need to identify and report hazards and risks.

Safety Training Statistics 2022 at a Glance



TOTAL TRAINING DAYS

51 days



TOTAL TRAINING HOURS

630 hours



EMPLOYEES

533 people



TRAINING HOURS PER EMPLOYEES

1.2 hours



TRAINING DAYS PER EMPLOYEES

0.1 day

The training was aimed to reduce the root cause of the LTIs.

The Company identified safety and health risks using the Hazard Identification, Risk Assessment and Risk Control (HIRARC) tool. Following the assessment, Kawan developed action plans to mitigate the identified risks. The Company also conducts health and safety risk assessments for potential new operations or projects and existing operations as part of its annual due diligence. Kawan recognised and recorded all possible risks in the risk register to ensure the Company assessed all missing or hidden risks.

Kawan has taken steps towards establishing ISO 45001 by engaging a consultant in December 2022. In FY2023, the Company will develop a manual and procedures, provide training to relevant employees and conduct internal and external audits to comply with the standard and certification.



Sustainability Statement

Nurturing & Empowering People

HUMAN RIGHTS

Kawan respects human rights throughout operations and the extended value chain, operating in accordance with international human rights instruments, including the Universal Declaration of Human Rights. Operations respect applicable employment and human rights laws where they are based.

Kawan is in the midst of developing a Human Rights Policy for approval and implementation in FY2023. The Code of Conduct and Business Ethics summarises the Company's human rights policy. Employees review and receive annual awareness briefings on this Code on the human rights policy. The document is available in English. Kawan also communicates its human rights expectations to business partners.

Kawan aligns its conduct with the United Nations Guiding Principles on Business and Human Rights. The Board oversees the Company's human rights compliance. The Company also will allocate day-to-day responsibilities and functions for monitoring human rights compliance.

Kawan proactively assesses its ongoing human rights impacts as part of its core business processes. Evaluating the effects of the business and setting targets drives continuous improvement. The Company's actions involve avoiding, preventing and mitigating human rights issues. Kawan will implement human rights screening, training and monitoring of internal operations, business and supply chain partners. Kawan follows all applicable employment and human rights regulations where operations are based. Suppliers must do the same and at least abide by the Company's Human Rights Policy.



Sustainability Statement

Nurturing & Empowering People

KAWAN'S COMMITMENT TO LABOUR PRINCIPLES

01

Freely chosen employment

- Forced Labour Policy aligned with local laws
- Does not tolerate any form of forced, bonded or involuntary prison labour in any operations
- Workers are not required to lodge "deposits" or their identity papers with the Company
- Workers can leave after providing reasonable notice in line with their employment contracts

02

Respecting Freedom of Association and Rights to Collective Bargaining

- Respects employees' rights to form or join a trade union or workers' associations, or to have recognised employee representation in accordance with the local law without fear of reprisal, harassment, intimidation or termination of employment

03

Safe and hygienic working conditions

- Provides a safe and healthy work environment and takes practical steps to prevent potential accidents and injuries to employees' health

04

No Child Labour

- Kawan does not condone or endorse the use any form of child labour as defined by relevant ILO Conventions
- Not hiring anyone under the legal minimum age for employment wherever we may operate

05

Paying Living Wages

- Respects employees' rights to receive fair remuneration with wages and benefits
- Complies with local minimum wages
- Compensates employees competitively relative to the market and industry standards

06

Non-Excessive Working hours

- Complies with national law on working hours and holiday entitlements
- All overtime is voluntary and compensated at a premium rate in accordance with relevant national laws

07

Non Discrimination

- Embraced equal opportunities at the workplace
- Everyone should be treated with respect and dignity regardless of their background, including race, religion, gender, age, sexual orientation, disabilities and nationalities

08

No Harsh or Inhumane Treatment

- No harsh or inhumane treatment is allowed, such as threats of physical abuse or discipline, sexual or other harassment, verbal abuse or other forms of intimidation

RESPECTING FOREIGN WORKERS' RIGHTS

The manufacturing industry continues to rely heavily on foreign workers. The unethical and inhumane treatment of foreign workers is a salient human rights problem facing the industry. Kawan engages with its industry peers to address this issue.

Kawan is against any form of forced labour. In promoting fair employment practices, Kawan works with recruitment agencies to hire foreign workers. All employment contracts are made available in the worker's native language so they fully understand the terms and conditions of their employment. All foreign workers are provided with a safe and comfortable working environment. Kawan offers decent accommodation for all foreign workers with good hygiene, sanitation and facilities.

Sustainability Statement

Nurturing & Empowering People



PARTNERING WITH THE COMMUNITY

True to its mission of enriching lives and contributing to economic and social environmental developments, KawanCare has been spreading joy through various initiatives. KawanCare regularly participates in corporate social responsibility efforts, from community engagement projects to environmental programmes.

Kawan aligned its community investment principles with its 'truly friendlicious' strategy. Closely aligning the business strategy with community investment delivers better outcomes for the brand and local communities. Kawan focuses on community development for its corporate responsibility in particular.

KawanCare contributed RM206,700 to non-profit organisations to support various community projects. KawanCare also partners with charitable organisations, including What A Waste and Great Heart Charity for a special Food Initiative. Kawan works closely with local organisations to shape a better future for everyone through its charitable contributions, volunteering and knowledge sharing.

The Company invited employees to be part of its community programmes, with many participating in these volunteer activities. Kawan recognises employee volunteerism and considers integrating these efforts into their KPIs.

Sustainability Statement

Nurturing & Empowering People

REACHING OUT TO YOUTH

Founded in 1959, Monfort Boys Town cares for and develops underprivileged youths aged between 16 and 18 in Malaysia. The main objective is to build skills and form their characters to prepare them to become part of the nation's workforce and responsible citizens.

Montfort now offers nine skills: Motor Mechanics, Printing, Welding, Machining, Electrical, Computer Maintenance, Graphic Design & Multimedia, and Bakery & Pastry. The courses are accredited by the Malaysian Council of Vocational Training.

In 2022, Kawan donated RM40,000 to Monfort Boys Town's efforts to improve the community's welfare and provide educational opportunities to the underprivileged.

FIGHTS AGAINST HUNGER

Kawan continues supporting What A Waste, a community outreach project providing regular meals to the homeless and poor in various locations in Kuala Lumpur. This initiative is in line with UN Global Compact, Save the Children, the Children's Rights and Business Principles and the United Nation's Sustainable Development Goal 2: Zero Hunger.

In 2022, the Company donated RM15,000 to fund food bank, Great Heart Charity and PERTIWI's initiatives.

Kawan also contributed to Daily Bread Food Bank ("DBFB"), which subsidised essential food, toiletries and daily necessities to more than 200 families and homes, including drug rehab centres and old people's and children's homes. More than 1,000 people benefited from DBFB initiatives each month.



SCHOOLS' SANITISATION AND DISINFECTION

The country looks to a brighter future after entering an endemic phase on 1 April 2022. Everyone must stay vigilant and keep healthy. Kawan continued supporting the WeCare WeDo Sanitisation & Disinfection Programme by sponsoring sanitation and disinfection at six schools in 2022, investing RM18,000 in this programme.

Sustainability Statement

SUSTAINABILITY PERFORMANCE DATA

Description	2020	2021	2022
ECONOMIC			
Supply Chain			
Total Procurement Spent (RM)	151.6m	146.7m	173.6m
Percentage of local suppliers	91%	90%	91%
Percentage of foreign suppliers	9%	10%	9%
Anti-Corruption			
Percentage of operations assessed for corruption-related risks	100%	100%	100%
Confirmed incidents of corruption	0	0	0
Number of Employees Who Have Received Training on Anti-Corruption by Employment Category			
Executive	0 (0%)	110 (73.83%)	60 (38.46%)
Non-executive	0 (0%)	0 (0%)	118 (31.64%)
ENVIRONMENTAL			
Total energy consumption (kWh)	12,521,796	12,216,070	14,422,211
Electricity consumption (kWh)	12,521,796	9,311,752	11,201,653
Solar Energy Generated (kWh)	0	2,853,318	3,220,558
Diesel consumption (genset) (litre)	N/A	N/A	20
Energy Intensity (energy/kg)	0.68	0.77	0.58
Diesel consumed by Company-owned vehicles (litre)	221,748	277,957	298,458
Water consumption (m ³)	52,172	57,336	51,883
Water discharged (m ³)	No Data	13,543.5	10,479
Water intensity (water consumption/output)	0.0028	0.00363	0.00268
Scope 1 emissions (tCO ₂ e)	586	735	544
Scope 2 emissions (tCO ₂ e)	7,325	5,487	8,425
Total Waste (MT)	226.79	489.53	674.78
Total non-hazardous waste	225	89	113
Domestic waste (MT)	225	89	113
Total Scheduled Waste (MT)	1.786	5.021	2.216
Used compressor oil (MT)	0.450	1.340	0.600
Pathogen waste (MT)	1.336	1.281	1.216
Used Hydraulic Oil (MT)	No Data	1.000	0.400
Mineral Oil (MT)	N/A	1.400	N/A
Waste diverted from landfill which was recycled	No Data	395.51	559.56
Cans (MT)	No Data	2.137	1.544
Drums size 20Liter (MT) – chemical	No Data	0.436	0.857

Sustainability Statement

SUSTAINABILITY PERFORMANCE DATA

Description	2020	2021	2022
ENVIRONMENTAL (CONTINUED)			
Plastic (MT)	No Data	8.790	9.299
Broken cartons (MT)	No Data	29.509	38.463
Flour (MT)	No Data	328.200	483.672
Flour sacks (MT)	No Data	2.400	3.030
Used cooking Oil (MT)	No Data	24.040	22.693
SOCIAL			
Diversity			
Total number of employees	527	533	529
Number of new employee hires	128	147	146
Workforce Breakdown by Nationality			
Malaysians	323 (61.29%)	362 (67.92%)	349 (65.97%)
Non-Malaysians	204 (38.71%)	171 (32.08%)	180 (34.03%)
Breakdown by Ethnicity			
Malay	166 (31.50%)	197 (36.96%)	194 (36.67%)
Chinese	89 (16.89%)	88 (16.51%)	89 (16.82%)
Indian	31 (5.88%)	33 (6.19%)	30 (5.67%)
Others	241 (45.73%)	215 (40.34%)	216 (40.83%)
Workforce Breakdown by Employment Contract			
Permanent Staff	527 (100.00%)	531 (99.62%)	527 (99.62%)
Contract/part-time staff	0 (0.00%)	2 (0.38%)	2 (0.38%)
Percentage of contractors/temporary staff (%)	0.00%	0.38%	0.38%
Workforce Breakdown by Employment Category			
Executives	134 (25.43%)	149 (27.95%)	156 (29.49%)
Non-Executives	393 (74.57%)	384 (72.05%)	373 (70.51%)
Workforce Breakdown by Gender			
Female	127 (24.10%)	160 (30.02%)	175 (33.08%)
Male	400 (75.90%)	373 (69.98%)	354 (66.92%)
Workforce Breakdown by Age Group			
<30 years old	231 (43.83%)	234 (43.90%)	212 (40.08%)
30-49 years old	252 (47.82%)	253 (47.47%)	272 (51.42%)
50 years old and above	44 (8.35%)	46 (8.63%)	45 (8.51%)
Number of disabled employees	0	1	1

Sustainability Statement

SUSTAINABILITY PERFORMANCE DATA

Description	2020	2021	2022
SOCIAL (CONTINUED)			
Workforce Breakdown by Gender and Age Group for Each Employee Category			
Executives			
Male	81 (60.45%)	85 (57.05%)	83 (53.21%)
Female	53 (39.55%)	64 (42.95%)	73 (46.79%)
<30 years old	30 (22.39%)	40 (26.85%)	38 (24.36%)
30-49 years old	88 (65.67%)	93 (62.42%)	102 (65.38%)
50 years old and above	16 (11.94%)	16 (10.74%)	16 (10.26%)
Non-Executives			
Male	319 (81.18%)	287 (74.74%)	271 (72.65%)
Female	74 (18.83%)	97 (25.26%)	102 (27.35%)
<30 years old	201 (51.15%)	194 (50.52%)	174 (46.65%)
30-49 years old	164 (41.73%)	160 (41.67%)	170 (45.58%)
50 years old and above	28 (7.12%)	30 (7.81%)	29 (7.77%)
Female Representation in the Management			
% Women in Management	42.1	44.7	43.2
% Women in Top Management	45.8	50.0	50.0
Directors Diversity			
Breakdown of Directors by Gender			
Total of Directors	8	8	8
Female	2 (25%)	2 (25%)	2 (25%)
Male	6 (75%)	6 (75%)	6 (75%)
Breakdown of Directors by Age Group			
<30 years old	0 (0.00%)	0 (0.00%)	0 (0.00%)
30-49 years old	1 (0.125%)	1 (0.125%)	1 (0.125%)
50 years old and above	7 (0.875%)	7 (0.875%)	7 (0.875%)
Breakdown of Directors by Ethnicity			
Malay	2 (0.25%)	2 (0.25%)	2 (0.25%)
Chinese	6 (0.75%)	6 (0.75%)	6 (0.75%)
Indian	0 (0.00%)	0 (0.00%)	0 (0.00%)
Non-Malaysian	0 (0.00%)	0 (0.00%)	0 (0.00%)
Human Rights			
Number of complaints concerning human rights violations	0	0	0

Sustainability Statement

SUSTAINABILITY PERFORMANCE DATA

Description	2020	2021	2022
SOCIAL (CONTINUED)			
Health and Safety			
Number of work-related fatalities	0	0	0
Total man-hours worked	1,452,000	1,500,000	1,832,160
Lost time incident rate	11	7.3	8.2
Severity rate	77	84.7	73.7
Frequency rate	15	9.3	13.1
Training			
Total Training Hours	3,381	1,167	5,604.8
Average hours of training per year per employee by category	6.29	3.54	10.4
Head of Departments and Managers	1.61	0.74	2.61
Executive	2.57	2.15	2.99
Non-executive	2.11	0.65	4.8
Customer Satisfaction			
Customer Complaints (Number)	91	89	75
% Customer Complaints	-	-2.2	-15.7
Resolution rate (%)	100	100	100

Board At A Glance

The Board, under the leadership of the Chairman, is responsible for determining the overall strategy of the Group and providing oversight of the senior management. It holds the ultimate decision-making authority for Kawan Food Berhad.

Chairman

Member

Board

Board

1

GAN THIAM CHAI

Executive Chairman

Board

Meeting Attended: 6/6

2

GAN THIAM HOCK

Non-Independent Executive Director

Board

Meeting Attended: 6/6

3

KWAN SOK KAY

Non-Independent Executive Director

Board

Meeting Attended: 6/6

4

GAN KA BIEN

Non-Independent Executive Director

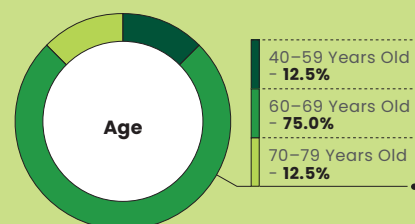
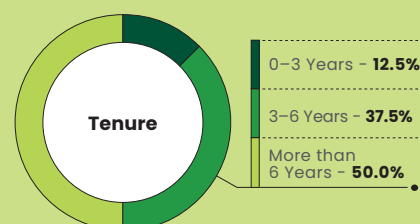
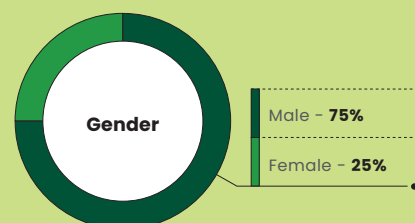
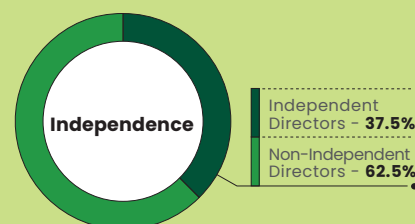
Board

Meeting Attended: 6/6

Board At A Glance



Board Composition



5	6	7	8
DR NIK ISMAIL BIN NIK DAUD	EUGENE HON KAH WENG	ABDUL RAZAK BIN SHAKOR	LIM HUN SOON @ DAVID LIM
Senior Independent Non-Executive Director	Independent Non-Executive Director	Non-Independent Non-Executive Director	Independent Non-Executive Director
Board RC AC NC	Board NC AC RC	Board	Board AC RC NC
Meeting Attended: 6/6	Meeting Attended: 6/6	Meeting Attended: 6/6	Meeting Attended: 6/6

Board of Directors' Profiles



Gan Thiam Chai ("Mr. 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 of Ms. Gan Ka Bien. 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 all the six (6) Board Meetings held during the financial year ended 31 December 2022.

Gan Thiam Hock ("Mr. T.H. Gan") was appointed to the Board on 1 June 2005.

Mr. T.H. Gan has over 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 six (6) Board Meetings held during the financial year ended 31 December 2022.

Board of Directors' Profiles

KWAN SOK KAY

Female Age 68 Malaysian

*Non-Independent
Executive Director***DATE OF APPOINTMENT**
1 June 2005**BOARD MEETING
ATTENDANCE**6/6
★ ★ ★**GAN KA BIEN**

Female Age 42 Malaysian

*Non-Independent
Executive Director***DATE OF APPOINTMENT**
24 November 2020**BOARD MEETING
ATTENDANCE**6/6
★ ★ ★

Kwan Sok Kay ("Mdm. Kwan") 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 of Ms. Gan Ka Bien. She has no conflict of interests with the Company except that she is a substantial shareholder of the Company. She has never been convicted for any offence within the past five (5) years. She attended all the six (6) Board Meetings held during the financial year ended 31 December 2022.

Gan Ka Bien ("Ms. K.B. Gan") was appointed to the Board on 24 November 2020. She has over 15 years of experience in marketing.

Ms. K.B. Gan graduated with a Bachelor of Business from the University of Technology in Sydney, Australia in 2002. She also obtained a Diploma in Marketing Research from Marketing Research Society of Australia. In 2017, she becomes a licensed Master Practitioner of Neuro-Linguistic Programming.

In 2003, Ms. K.B. Gan started her career as a Business Manager with KFM. She was involved in promoting products to overseas and domestic markets. She was subsequently promoted as a Senior Business Manager of KFM in 2012, during which she has success in launching multiple products.

In 2019, Ms. K.B. Gan was appointed as the Head of Marketing, managing the Group's entire marketing initiatives in creating a differentiated Kawan brand for all of the Group's products with long term strategies. Being the head leading the Group's Corporate Social Responsibility, she plays an active role in building confidence in Kawan, its leaders and stakeholders.

Ms. K.B. Gan is the daughter of Mr. T.C. Gan and Mdm. Kwan. 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 six (6) Board Meetings held during the financial year ended 31 December 2022.

Board of Directors' Profiles

DR. NIK ISMAIL BIN NIK DAUD	ABDUL RAZAK BIN SHAKOR
Male Age 72 Malaysian	Male Age 65 Malaysian
Senior Independent Non-Executive Director	Non-Independent Non-Executive Director
DATE OF APPOINTMENT 2 January 2017	DATE OF APPOINTMENT 16 August 2016
BOARD MEETING ATTENDANCE 6/6 ★ ★ ★	BOARD MEETING ATTENDANCE 6/6 ★ ★ ★

Dr. Nik Ismail Bin Nik Daud ("Dr. Nik") was appointed to the Board on 2 January 2017. He was appointed by the Board as Senior Independent Non-Executive Director on 8 April 2019. He is also the Chairman of the Remuneration Committee, a member of Audit Committee and Nominating Committee of the Company.

Dr. Nik 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, United Kingdom in 1983 and a Master of Business Administration from Universiti Kebangsaan Malaysia ("UKM") in 1987.

He began his career as a lecturer on various subjects including 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 in UKM in 1978. He has also conducted workshops for many food companies and government agencies on food technology and industry related topics since 1983. His industry experience includes holding positions in food companies. He was appointed as Managing Director of UKM Holdings Sdn Bhd in 2006 till 2014.

Dr. Nik had been a member of various committees including National HACCP and 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, Malaysia Standards ("MS") on Coffee, Beverages, Flour, Starches and Food Safety and a Member of the Industrial Standard of Food and Food Products. Currently he chairs the drafting of revised MS on coffee and coffee products.

Dr. Nik was the President of the Malaysian Institute of Food Technology for 18 years until 2014 and was also the former President of Federation of Institute Food Science and Technology, Association of South East Asian Nations (FIFSTA). He is a Fellow of International Academy of Food Science and Technology and a member of IUFOST Codex Committee.

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 attended all the six (6) Board Meetings held during the financial year ended 31 December 2022.

Abdul Razak Bin Shakor ("En. Abdul Razak") was appointed to the Board on 16 August 2016.

En. Abdul Razak attended Institute Technology MARA, Malaysia, majoring in Insurance. He has obtained Certificate from Lloyd's of London, Chartered Insurance Institute (Cert. CII), United Kingdom ("UK") and Institute of Risk Management (Cert. IRM), UK and is a Fellow of the Malaysian Insurance Institute (FMII). He has more than forty-three (43) years extensive working experience in risk management, insurance and financial services sector in Malaysia and internationally. He has served in key regional management positions in South East Asia and the Middle East and North Africa for multinational/international organisations. Currently, En. Abdul Razak is the Founder and Managing Director of Esperanza Management Advisors Sdn. Bhd., a Specialist Risk Management consulting services firm and Chairman of Sentinel Insurance Brokers Sdn. Bhd., a Bank Negara licensed insurance, reinsurance and takaful insurance broking company.

En. 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 all the six (6) Board Meetings held during the financial year ended 31 December 2022.

Board of Directors' Profiles

LIM HUN SOON @ DAVID LIM

Male Age 67 Malaysian

*Independent
Non-Executive Director***DATE OF APPOINTMENT**
21 October 2015**BOARD MEETING
ATTENDANCE**6/6
★ ★ ★**EUGENE HON KAH WENG**

Male Age 64 Malaysian

*Independent
Non-Executive Director***DATE OF APPOINTMENT**
22 November 2018**BOARD MEETING
ATTENDANCE**6/6
★ ★ ★

Lim Hun Soon @ David Lim ("Mr. David Lim") was appointed to the Board on 21 October 2015. He is the Chairman of the Audit Committee and a member of Remuneration Committee and Nominating Committee of the Company.

Mr. David 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. David Lim had an extensive career serving as an Auditor in KPMG, spanning thirty three (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 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. David 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 granted Malaysia a seat in the Council. The position was for a term of two (2) years till 2015. He was reappointed for a further two terms till March 2019 (being the maximum permitted tenure).

Mr. David Lim sits on the board of several public listed companies, namely Ranhill Utilities Berhad, Press Metal Aluminium Holdings Berhad and Public Investment Bank Berhad as an Independent Non-Executive Director. He also holds directorships in Rockwills Trustee Bhd and Affin Investment Berhad (in Member's Voluntary Liquidation). Mr. David Lim has also been appointed as a Director of TSA Group Berhad on 4 November 2022.

Mr. David 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 six (6) Board Meetings held during the financial year ended 31 December 2022.

Eugene Hon Kah Weng ("Mr. Eugene") was appointed to the Board on 22 November 2018. He is the Chairman of the Nominating Committee and a member of Audit Committee and Remuneration Committee of the Company.

Mr. Eugene started his training in accountancy in 1979 with a reputable accounting firm and qualified as a Certified Public Accountant in 1985 with the Malaysian Association of Certified Public Accountants (now renamed as the Malaysian Institute of Certified Public Accountants). He was also admitted into the Malaysian Institute of Accountants as a Chartered Accountant.

Mr. Eugene left the accountancy profession in 1991 and assumed a senior position with a large financial services group covering businesses of merchant banking, finance, insurance, leasing, money broking and consumer financing. In 2011, he joined the Central Bank as Finance Director. While with these organisations, he gained extensive experience in management, finance, risk management and corporate governance. At the Central Bank, Mr. Eugene acquired invaluable leadership skills and gained extensive experience in corporate governance and risk management relating to central banking operations.

Over the years, Mr. Eugene held key management positions, was a key member of various group committees and also served as a nominee director on the boards of various group companies of the financial services group. At the Central Bank, Mr. Eugene was a key member of the financial risk management committee, crisis management committee and served on the board of trustees for the trust funds of the Bank.

Mr. Eugene sits on the board of Affin Hwang Investment Bank Berhad as an Independent Non-Executive Director since 1 March 2021.

Mr. Eugene 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 six (6) Board Meetings held during the financial year ended 31 December 2022.

Key Management's Profiles

ADAM PANDIAN

Executive Advisor to the Executive Chairman and Head of Transformation

Male Age 60 Singaporean

APPOINTMENT TO CURRENT POSITION

April 2023

QUALIFICATION

- Bachelor of Business Administration, National University of Singapore

TRAINING

- Advanced Management Program by Prof. Peter Doyle, University of Warwick
- Creating Competitive Advantage by Prof. Karl Moore, Oxford University
- Strategic Management for HiPos, by Saatchi & Saatchi
- Leaders developing Leaders Program, Kellogg Leadership Academy
- Kellogg Leadership coaching; Howard Epstein (New York) and Graham Richardson (Sydney)

WORKING EXPERIENCE

- Joined Kawan Food Group as Advisor to Executive Chairman and Head of Transformation.
- More than 35 years management experience in commercial, supply chain and corporate roles, developing and implementing transformation strategies across various industries and organizations with a foundation in fast-moving consumer goods.
- Starting his career in Procter & Gamble in brand management, he moved on to several senior positions including Account Director for Leo Burnett, Regional Account Director for Saatchi & Saatchi, General Manager and Commercial Director for Keebler, and as Managing Director for Greater China and Southeast Asia for Kellogg.
- Prior to joining Kawan in April 2023, he held Chief Operating Officer roles in various divisions within the Hap Seng Group as well as corporate roles within the Group MD's office where he served in change management, business turnarounds and driving group synergy across operating divisions.

He does not hold any directorship in other public companies or listed issuers. He 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.

NG HOOI KHAI

Group Chief Executive Officer

Male Age 61 Malaysian

APPOINTMENT TO CURRENT POSITION

August 2020

QUALIFICATION

- Bachelor of Science, National Cheng Kung University, Taiwan (Major in Engineering Science)

WORKING EXPERIENCE

- More than 28 years of manufacturing experiences in the areas of supply chain management, quality assurance, custom & government affairs, having worked in manufacturing and multi-national companies.
- At Meiyume China (Li & Fung Group, Hong Kong), he was responsible for managing its manufacturing operations, driving strategies and business budget.
- Started his corporate exposures with LF Asia Group in 1993 and thereafter as a Commercial Director in 2004 in which year he had embarked on the journey to develop corporate management dynamics. He was subsequently appointed as a Manufacturing Director in 2008.
- He attended various leadership courses since the year 2004 to grind his business acumen in the highly competitive business environment and in 2012, he had attended a leadership program facilitated by the Stanford Center for Professional Development.

He does not hold any directorship in other public companies or listed issuers. He 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 convicted for any offence within the past five (5) years.

Key Management's Profiles

ESTHER LEE FUI MENG

Group Financial Controller

Female Age 46 Malaysian

**APPOINTMENT TO
CURRENT POSITION**
August 2022

QUALIFICATION

- Chartered Accountant – Member of Malaysian Institute of Accountants

WORKING EXPERIENCE

- More than 20 years of working experience in the areas of external auditing, finance operations, tax compliance and planning, investment banking and corporate reporting. Prior to joining the Group, she worked with Ernst and Young, and in several public-listed companies including investment banking, manufacturing, food and beverages and others.

She does not hold any directorship in other public companies or listed issuers. She 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. She has never convicted for any offence within the past five (5) years.

YEAP CHEE KEONG, ANDY

Chief Operating Officer

Male Age 38 Malaysian

**APPOINTMENT TO
CURRENT POSITION**
July 2022

QUALIFICATION

- Master of Business Administration (Executive) in Australian Graduate School of Management, University of New South Wales
- First Class Honours degree in Bachelor of Electrical Engineering, University of New South Wales
- Professional Technologist, Malaysia Board of Technologists

WORKING EXPERIENCE

- Over 15 years of experience in procurement, management, design, implementation and commissioning of factories, cold storage, machineries, control systems and electrical systems in food, power and water industries.
- Responsible for driving factory modernisation through Industry 4.0 transformations, Manufacturing Excellence and sustainability initiatives.
- Experience in leading the design, procurement and construction of a state of art frozen food manufacturing and storage facility with highly automated production lines, efficient refrigeration systems, Automated Storage and Retrieval System ("ARSR"), rainwater harvesting system and solar photovoltaic systems.
- Joined in April 2013 as Production Manager and was promoted to Senior Factory Manager in March 2014. Subsequently, he was promoted to Chief Operating Officer in July 2022.

He is the son-in law of Mr. T.C. Gan and Mdm. Kwan. He does not hold any directorship in other public companies or listed issuers. He has no conflict of interest with the Company and has never convicted for any offence within the past five (5) years.

Key Management's Profiles

TS. DR. KUAN YAU HOONG

Factory Manager

Male Age 38 Malaysian

APPOINTMENT TO CURRENT POSITION

May 2022

QUALIFICATION

- Doctor of Philosophy in Food Technology (Food Biopolymers), Universiti Sains Malaysia
- Master of Science in Food Technology (Food Biopolymers), Universiti Sains Malaysia
- Bachelor of Science (Hons) in Food Science and Nutrition, Universiti Malaysia Sabah
- Professional Technologist, Malaysia Board of Technologists
- Trend Scout, SIRIM Malaysia
- Professional Member, Research Chef Association, USA
- Professional Member, Malaysian Institute of Food Technology
- Professional Member, Malaysian Association for the Study of Obesity

WORKING EXPERIENCE

- More than 10 years experiences in the areas of food, oleochemicals, home and personal care industry and academic in large food manufacturing, multi-national corporation and renowned university.
- He started his career with Seberang Flour Mill as Food Technologist where he optimised flour formulations to enhance product performance for flour-based products at lower costs.
- As a lecturer cum Strategic Research Initiative of Taylors University where he was responsible to grow and drive research in the area of food biopolymers and colloids chemistry. Championed twice for US food development competition and leads the development and execution of projects related to his area of expertise and obesity with research grants of more than RM1m. He has contributed to the academic community by producing high impact research papers and articles that showcase his knowledge and expertise in the field.
- Prior to joining Kawan in 2022, he was working as Principal Researcher for Home and Personal Care at KLK Oleo, overseeing and leading the development of innovative high value applications for globally renowned consumer brands.

He does not hold any directorship in other public companies or listed issuers. He 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 convicted for any offence within the past five (5) years.

GAN MENG HOI

Head of National Sales

Male Age 32 Malaysian

APPOINTMENT TO CURRENT POSITION

January 2022

QUALIFICATION

- Fellow Member of Association of Chartered Certified Accountant (ACCA)
- BSc (Hons) in Accounting and Finance, Sunway University in affiliation with Lancaster University

WORKING EXPERIENCE

- More than 7 years' experience in areas of finance operations, accounting, data analysis and project management.
- He started his career with Ernst & Young focusing on audit.
- Prior to joining Kawan Group, he joined a private manufacturing Group of Companies as a General Manager.
- More than 5 years' experience in manufacturing, business development, sales and marketing, and business operations of FMCG products, having worked in manufacturing and trading companies.
- He joined Kawan Group in February 2019 and is responsible for the implementation of Kawan's ERP system. Subsequently, he was promoted to Divisional Head of Data Analytics and Commercial in January 2022.

He is the son of Mr. T.H. Gan. He does not hold any directorship in other public companies or listed issuers. He has no conflict of interest with the Company and has never convicted for any offence within the past five (5) years.

Key Management's Profiles

KHOO BOO SENG, RAYMOND

Head of Export

Male Age 53 Malaysian

APPOINTMENT TO CURRENT POSITION

March 2017

QUALIFICATION

- SPM

WORKING EXPERIENCE

- More than 20 years experiences in the areas of domestic and export sales of FMCG products, having worked in various companies that specialise in distributorship.
- He joined in May 2010 as Business Manager and was promoted to Head of Export in 2017.

He does not hold any directorship in other public companies or listed issuers. He 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 convicted for any offence within the past five (5) years.

ZHAO JIAN JIAN

*Operational General Manager of
Kawan Food (Nantong) Co., Ltd*

Male Age 58 Chinese

APPOINTMENT TO CURRENT POSITION

March 2018

QUALIFICATION

- Food Engineering specialty,
Nanjing Agricultural University

WORKING EXPERIENCE

- More than 30 years experiences in the areas of production, quality control and operation in large food manufacturing and foreign food companies prior to joining the Group.
- He joined in August 2009 as Plant Manager and was promoted to Operational General Manager in March 2018.

He does not hold any directorship in other public companies or listed issuers. He 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 convicted for any offence within the past five (5) years.



Additional notes on the above Key Senior Management

None of the above Key Senior Management has any 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 2022, 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.


Corporate Governance Overview Statement



The Corporate Governance Overview Statement ("CG Overview Statement") explains how the Company has applied the following three (3) key principles set out in the Malaysian Code on Corporate Governance ("MCCG") during the FY2022:

Principle A:

BOARD LEADERSHIP AND EFFECTIVENESS

 Refer to pages 76 to 83 for more info.

Principle B:

EFFECTIVE AUDIT AND RISK MANAGEMENT

 Refer to page 84 for more info.

Principle C:

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

 Refer to page 85 for more info.

This statement is prepared in compliance with Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and to be read together with the Corporate Governance Report for detailed disclosures of the Company's application of the principles in the MCCG, which is available on the Company's website at www.kawanfood.com.

PRINCIPLE A:

BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board is collectively responsible for setting strategic directions of the Group and oversees the business affairs of the Group to ensure long-term success. The Board's role and responsibilities, authorities and schedule of matters reserved for the Board are detailed in the Board Charter which is available for reference on the Company's website at www.kawanfood.com.

In order to ensure effective discharge of the responsibilities of the Board, the Board has delegated some of its authority and powers to its committees, namely, Audit Committee, Nominating Committee and Remuneration Committee ("Board Committees").



Corporate Governance Overview Statement

The Board of Directors ("the Board") of Kawan Food Berhad ("Kawan" or "the Company") advocates the principles of good corporate governance. Throughout the financial year ended 31 December 2022 ("FY2022"), the Board and the Company continue to enhance its corporate governance processes to ensure that the Company and its subsidiaries ("the Group") are aligned with best practices.

GOVERNANCE STRUCTURE

The Board

Responsible to promote long term sustainable success and generate value for shareholders and stakeholders

Board Committees

Assist the Board in fulfilling its duties and responsibilities. The Board Committees are responsible for overseeing activities within its Terms of Reference ("TOR")

Audit Committee ("AC")

Responsibilities

- Internal audit
- External audit
- Risk management
- Financial reporting
- Audit reports
- Related party transactions
- Internal controls
- Conflict of interest

Nominating Committee ("NC")

Responsibilities

- Board size and composition
- Selection and recruitment of Directors
- Board performance evaluation
- Committees' performance evaluation
- Directors' training

Remuneration Committee ("RC")

Responsibilities

- Remuneration packages
- Directors' fees and benefits
- Performance measures for incentive plans

Group Chief Executive Officer ("GCEO")

Group Management Team

Board Activities in FY2022

- During the financial under review, the Board focusing on discussing and deliberating on opportunities in the industry, business plan and its strategic direction.
- The Board approved the following proposals:
 - a) proposed subscription of 32.5% equity interest in Kejap Food Sdn Bhd by KG Pastry Marketing Sdn Bhd, a wholly-owned subsidiary of the Company;
 - b) proposed acquisition of 40% shares in KLBG Sdn Bhd and become a wholly owned subsidiary of the Company;
 - c) proposed joint venture business between Kawan Food Manufacturing Sdn Bhd ("KFM"), a wholly-owned subsidiary of the Company and Good2Nature Sdn Bhd in establish a Joint Venture Company; and
 - d) proposed acquisition of vacant leasehold industrial land in Shah Alam by KFM. Subsequently on 16 December 2022, both KFM and the vendor mutually terminated the deal.
- Discussed and approved on Sustainability Framework, policies and focus on the execution of the sustainability roadmap;
- Reviewed and approved the proposed Business Continuity Planning Management Manual;
- Received updates and reports from the Chair of the NC and RC Committees;
- Received updates and reports from the Chair of the AC on its oversight of financial performance, related party transactions, internal controls, risks and management on the work undertaken by each committee;
- Allocation of Employees' Share Option Scheme to GCEO;
- Received reports and updates from GCEO on operational and financial performance of the Group and other key matters;
- Approved the proposed promotion and remuneration package of Mr Andy Yeap Chee Keong as Chief Operating Officer ("COO");
- Deliberated and approved the Group's financial budget and Capex Budget for Financial Year Ending 31 December 2023;
- Approved the Company's full year and interim results;
- Approved the proposed interim single-tier dividend;
- Discussed updates on corporate governance and regulatory matters;
- Reviewed and approved the TOR of NC, RC, and AC to align with the MCCG 2021 and MMLR of Bursa Securities;
- Reviewed and approved the proposed amendment of the constitution to leverage the use of technology in conducting general meetings and facilitate communication and engagements with shareholders electronically;
- Recommended the proposed authority for the Company to purchase its own ordinary shares for shareholders' approval; and
- Conducted reviews and approved Kawan's annual report.

Board Key Focus Areas in FY2022

01

Review Group strategies, plans and budget

02

Acquisitions and Joint Venture

03

Developed a sustainability roadmap to 2030

Corporate Governance Overview Statement

DIVISION OF RESPONSIBILITIES

The details of Board's responsibilities are set out in the Board Charter which are available online at www.kawanfood.com.

Executive Chairman

The roles of the Chairman and GCEO are separate and distinct. There is a clear division of responsibilities between the two roles. The Chairman is responsible for providing leadership and instilling good corporate governance and effectiveness of the Board.

Executive Directors ("ED")

The EDs are responsible for day-to-day management of the business operations.

GCEO

The GCEO is primarily responsible for the day-to-day management of the Group's business within a set of authorities, Group's strategies, policies and business plans approved and delegated by the Board.

Senior Independent Non-Executive Director ("SINED")

The SINED acts as a sounding board for the Chairman and to serve as an intermediary for other Directors when necessary. He is also the point of contact for major shareholders and other stakeholders as well as a liaison for whistleblowing.

Independent Non-Executive Directors ("INEDs")

The INEDs are responsible for providing insights, unbiased and independent views, advice and judgement to the Board and to ensure effective checks and balances on the Board. The INEDs are essential for protecting the interest of shareholders, in particular minority shareholders, and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

Non-Independent Non-Executive Director ("NINED")

The NINED utilise his skills, expertise and experience to contribute to the development of the Group as a whole.

The Board members have unrestricted access to the information pertaining to the Company to discharge their duties and responsibilities. The Board also has access to the advice and services of the Company Secretaries and may obtain independent professional advice at the Company's expense as and when necessary.

Code of Conduct and Ethics, Anti-Bribery and Anti-Corruption Policy and Whistleblowing Policy

The Company has put in place a Code of Conduct and Ethics ("CoCE") to ensure transparent and ethical conduct that permeates throughout the Group.

With the implementation of Section 17A Malaysia Anti-Corruption Commission Act coming into force in June 2020, the Anti-Bribery and Anti-Corruption Policy ("ABC Policy") was established and updated to manage risk in relation to fraud, bribery and corruption practices. Additionally, Whistleblowing Policy was revised to provide avenues for employees and other stakeholders to disclose concerns relating to violations or improper conduct or wrongdoings or non-compliance with legal and regulations requirements within the Group.

The revised CoCE, Whistleblowing Policy and ABC Policy are available at the Company's website at www.kawanfood.com.

Directors' Fit and Proper Policy

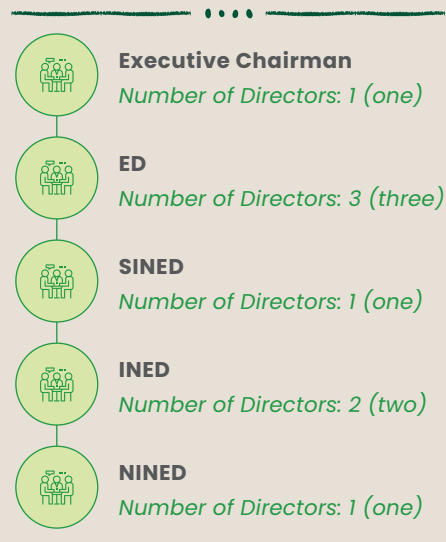
The Company has adopted a Directors' Fit and Proper Policy to ensure a formal and transparent process for the appointment and re-election of Directors and the appointment of Key Senior Management of the Company. The execution is delegated to the Nominating Committee, which will be reviewed and approved by the Board. The Board reviews the Fit and Proper Policy periodically, which is available on the Company's website at www.kawanfood.com.



Corporate Governance Overview Statement

Board Composition

As at 31 December 2022, the Board comprises eight (8) Directors:



Of the eight (8) Directors
2 (two) Women

Details of the Directors can be found on pages 66 to 71 of this annual report.

The Board composition complied with paragraph 15.02 of the MMLR of Bursa Securities, which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is the higher, are independent.

The NC reviewed the Board and Board Committees composition in FY2022 on an annual basis. The composition of the Board comprises an appropriate balance of representation from relevant key areas that supports the sustainability efforts in the business taking into consideration the complexity and nature of the Group's businesses.

Board Independence

The Board recognises that independence and objective judgement are crucial and imperative in decision-making process. The INEDs play a significant role in providing an unbiased and independent view, advice and judgement taking into account the interest of relevant stakeholders including minority shareholders of the Group.

Pursuant to Practice 5.3 of the MCCG, the tenure of an Independent Director does not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director.

However, the retention of Independent Directors after serving a cumulative term of nine (9) years shall be subjected to annual assessment by the NC, regarding the independence and contributions; and annual shareholders' approval through two-tier voting process in a general meeting, where the Board provides valid justification on the recommendation in the explanatory notes to the resolution in the notice of a general meeting. Notwithstanding the above, the tenure of Independent Director should not exceed a cumulative term of twelve (12) years in compliance with the MMLR of Bursa Securities.

As to-date, the tenure of all Independent Directors is less than nine (9) years of service. The Board is of the view that the independence of the Independent Directors should not be determined solely or arbitrarily by their tenure of service. The Board believes that continued contribution will provide stability and benefits to the Board and the Company as a whole, especially their invaluable knowledge of the Group and its operations gained through the years. The calibre, qualification, experience and personal qualities, particularly of the Director's integrity and objectivity in discharging his responsibilities in the best interest of the Company should be the predominant factors to determine the ability of a Director to serve effectively as an Independent Director.

The Board is also confident that the Independent Directors themselves, after having provided all the relevant confirmations on their independence, will be able to determine if they can continue to bring independent and objective judgement during Board deliberations and decision making.

Diversity

The Board acknowledges the importance of having diversity of Board, Management and employees in terms of skills, expertise, gender, age and ethnicity. The Company has put in place a Diversity Policy as the Company's commitment to diversity at all levels.

During the financial year under review, there were no changes to Company's Board composition. Currently, the Board comprises two (2) female Non-Independent Executive Directors which accounts for 25% representation of women on the Board.

The Board supports the country's aspirational target of 30% representation of women directors in line with Practice 5.9 of MCCG 2021 and will consider diverse range of candidates including female representation in future recruitment and selection processes.

The Diversity Policy is available on the Company's website at www.kawanfood.com.

Board Evaluation

The Board through its NC also undertakes an annual review of performance and effectiveness of the Board and Board Committees as well as the contribution of each individual Directors to the Board and Board Committees.

The Board Evaluation Report indicated that the Board, Board Committees and individual Directors continue to be highly effective in providing oversight of the Company and its governance.

Following the FY2022 Board evaluation, the Board is satisfied that the SINED and INEDs are independent to discharge their duties and responsibilities effectively.

Corporate Governance Overview Statement

Time Commitment

The Board meets once quarterly with additional meetings being convened whenever necessary, to discharge their responsibilities effectively. The Senior Management are also invited to meetings for presentation, if required.

The attendance of the Directors at Board and its Committee meetings for FY2022 are shown in the table on the right.

Member(s)	Board	AC	NC	RC
Gan Thiam Chai <i>Executive Chairman</i>	6/6			
Gan Thiam Hock <i>Executive Director</i>	6/6			
Kwan Sok Kay <i>Executive Director</i>	6/6			
Gan Ka Bien <i>Executive Director</i>	6/6			
Dr. Nik Ismail Bin Nik Daud <i>Senior Independent Non-Executive Director</i>	6/6	5/5	4/4	5/5
Abdul Razak Bin Shakor <i>Non-Independent Non-Executive Director</i>	6/6			
Lim Hun Soon @ David Lim <i>Independent Non-Executive Director</i>	6/6	5/5	4/4	5/5
Eugene Hon Kah Weng <i>Independent Non-Executive Director</i>	6/6	5/5	4/4	5/5

Board Training and Development

The Board acknowledges the importance of continuous education and training programmes for Directors to discharge its responsibilities effectively and to be apprised of the changes to regulatory requirements and the impact such regulatory requirements will have on the Group. The Company Secretaries circulate and brief the relevant guidelines on statutory and regulatory requirements from time to time and for the Board's reference.

All Directors attended the Mandatory Accreditation Programme as required by the MMLR of Bursa Securities.

The Directors of the Company had attended the following training programmes, workshops, briefing and seminars during FY2022:

Directors	Courses/Seminar/Conference
Gan Thiam Chai	• Webinar on Sustainability Awareness to Board of Directors
Gan Thiam Hock	• Webinar on Sustainability Awareness to Board of Directors
Kwan Sok Kay	• Webinar on Sustainability Awareness to Board of Directors
Gan Ka Bien	<ul style="list-style-type: none"> • Sustainability & International Trade for Export-Oriented Companies • Sustainable Brands Kuala Lumpur 2022 conference • GRI Standards Certified Training 13 - 15 September 2022 • Certified Sustainability Reporting Specialist
Dr. Nik Ismail Bin Nik Daud	<ul style="list-style-type: none"> • IUFOST Roundtable on Sustainable and Alternative Edible Protein Sources by International Union of Food Science and Technology • Building Trust Along the Food Supply Chain and As a Guest Speaker by UTAR • AXA estment Managers - Impact Investing Across Listed Markets
Abdul Razak Bin Shakor	<ul style="list-style-type: none"> • Risk Management Awareness Programme by FWD Takaful Sdn. Bhd. • Performance Management Programme Balance Score Card Implementation by Sentinel Insurance Brokers Sdn. Bhd. • Risk Management Awareness Programme by Cradle Fund Sdn. Bhd. • Turkiye Rendezvous 2022 by Middle East Insurance Review / Huntington Group • Singapore International Reinsurance Conference (SIRC)

Corporate Governance Overview Statement

Directors	Courses/Seminar/Conference
Lim Hun Soon @ David Lim	<ul style="list-style-type: none"> • Exercising Sustainability Governance and Oversight – What is next for Press Metal • The Token Economy, Cryptocurrencies and CBDCs by Prof Arturo Bris of IMD • JUST Series (JC3 Upskilling Sustainability Training) Series – FY2022 – Implementation of TCFD • JUST Series (JC3 Upskilling Sustainability Training) Series – FY2022 – Implementation of TCFD • No Rules Rules: Building A Corporate Culture That Breeds Innovation & Flexibility • FIDE FORUM – CGM Conversations with Chairmen: A Standing Item in Board Agendas • Leading Through Banking Transformation by Professor Misiek Piskorski of IMD • Sanctions and Financial Crime Prevention by Mr Ross Daniel Savage • ESG Frameworks: Understanding the Alphabet Soup by Mr Andrew Chan of PwC Malaysia • Understanding Task Force on Climate-Related Financial Disclosures (TCFD) by PwC Malaysia
Eugene Hon Kah Weng	<ul style="list-style-type: none"> • BNM FIDE dialogue on climate risk management and scenario analysis – FIDE BNM • Treasury Business and Interest Rate Sensitivity By ABB • BNM World Bank Report Launch – Exploring Nature-Related Financial Risks in Malaysia-World Bank Group & BNM • Steward Leadership for Sustainability – Asia Business School • AFFIN BANK GROUP DIRECTORS' TRAINING – Exposure Draft on Climate Risk Management and Scenario Analysis • FIDE Forum Leadership Perspective on Board Effectiveness in Conjunction with BEE Launch • ICDM – Chair Masterclass • The Emerging Trends, Threats and Risks to The Financial Services Industry – FIDE Forum • AOB Conversation with Audit Committee – Securities Commission



Corporate Governance Overview Statement

NC

Members:

01

EUGENE HON KAH WENG

Independent

Non-Executive Director

Membership: Chairman

02

DR. NIK ISMAIL BIN NIK DAUD

Senior Independent

Non-Executive Director

Membership: Member

03

LIM HUN SOON @ DAVID LIM

Independent

Non-Executive Director

Membership: Member

Roles:

- Oversee the Board appointment process including the nomination and selection of Directors and key management of Kawan.
- Recommend new Directors' nomination to the Board and key management of Kawan.
- Review Board training programmes and making recommendations thereof.
- Assess the performance and effectiveness of individual Directors, Board and Board Committees, which includes assessing the fit and properness of Directors who are due for retirement by rotation at the forthcoming Annual General Meeting ("AGM").
- Assess and review the Board composition (ie. size, experience, diversity etc) and organisation structure of Kawan.
- Oversee the succession planning for the Board and key management of Kawan.

Focus Areas

Succession Planning
for Management

Assessment of
Board effectiveness

NC Activities in FY2022

- Reviewed performance and effectiveness of the Board and Board Committees as well as contribution of each individual Directors to the Board and Board Committees in FY2022.
- Discussed and review Management Succession Planning.
- Reviewed the composition of the Board in meeting necessary skills, experience and competency of the Board.
- Recommended for the Board's approval the appointment of Mr Andy Yeap Chee Keong as COO of the Company.
- Reviewed and assessed the term of office and performance of the AC and each of its members.
- Assessed Directors' training needs to receive suitable orientation and training programmes.
- Reviewed and recommended to the Board's approval the adoption of the Fit and Proper Policy.
- Reviewed and recommended the revised TOR of NC to be in line with the MCCG 2021 and MMLR of Bursa Securities.
- Review the Directors' retirement by rotation at the Eighteenth ("18th") AGM of the Company held on 9 June 2022.
- Review the Directors' retirement by rotation at the Nineteenth ("19th") AGM of the Company scheduled to be held on 21 June 2023.

Corporate Governance Overview Statement

RC

Members:

01

DR. NIK ISMAIL BIN NIK DAUD

Senior Independent
Non-Executive Director

Membership: Chairman

02

LIM HUN SOON @ DAVID LIM

Independent
Non-Executive Director

Membership: Member

03

EUGENE HON KAH WENG

Independent
Non-Executive Director

Membership: Member

Roles:

- Assess, review and recommend to the Board the remuneration packages of individual Directors, GCEO and key Senior Management.
- Review and approve performance measures for incentive plans recommended by the Management.
- Assess the performance and recommend to the Board for approval the total remuneration packages of GCEO, EDs, Non-Executive Directors ("NEDs") and key Senior Management.

Remuneration Packages

The remuneration packages for the EDs and key Senior Management comprises basic salary, benefits in kind, bonus and allowances which reflects their roles and performance for the year. The NED's remuneration package comprises Directors' fees, benefits in kind and meeting allowances which reflect individual's role and responsibilities. The Board remuneration is reviewed by benchmarking against peer companies.

The Chairman of the AC, RC and NC receives higher fees in respect of their service as a chairman of the respective committee. The Directors will receive an additional fee if they are members of the Board Committees. The fees for Directors are determined by the Board with approval from shareholders at AGM.

The interested Directors abstained from deliberation and voting on their own remuneration at the Board meetings.

Focus Areas

Compensation and Reward Framework

Balance Scorecard

RC Activities in FY2022

- Reviewed and recommended to the Board's approval the Directors fees and benefits payable (including allowances) and recommended to the shareholders for approval at the AGM;
- Considered and recommended to the Board's approval the following matters:
 - (a) Salary adjustment and Bonus for EDs;
 - (b) Performance evaluation and bonus allocation of GCEO; and
 - (c) Remuneration package of COO.
- Deliberated on revised Employee Grading Matrix of KFM;
- Reviewed and recommended the revised TOR of RC to be in line with the MCCG 2021 and MMLR of Bursa Securities;
- Reviewed and deliberated on the Balance Scorecard and Key Performance Indicators for the EDs, GCEO and the key management; and
- Reviewed the performance of GCEO and Financial Controller.

Corporate Governance Overview Statement

PRINCIPLE B:

EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee ("AC")


The AC of the Company comprises one (1) SINED and two (2) INEDs. Collectively, the AC members are financially literate, possess commercial expertise skills and experience to enable them to discharge their duties and responsibilities pursuant to the AC's TOR.

Based on the recommendation of MCCG, the AC requires a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.

The AC assists the Board in fulfilling its statutory and fiduciary responsibilities on financial reporting, compliance with applicable financial reporting standards and other legal requirements, internal audit, external audit functions and risk management of the Group.

On an annual basis, the AC reviews and evaluates the suitability, objectivity and independence of the External Auditors taking into consideration the following:

- | | | | |
|----|-------------------------------------|----|--------------------------------------|
| 01 | Technical competencies | 04 | Adequacy of Technical Support |
| 02 | Independence and Objectivity | 05 | Time Commitment |
| 03 | Audit Scope and Planning | 06 | Audit and Non-Audit Fees |


 The details on the roles of the AC are set out in the AC report on pages 86 to 87 of this annual report.

Sound Risk Management and Internal Control

The Board acknowledges their overall responsibilities in maintaining an effective risk management and internal control system to safeguard stakeholders' investments and the Group's assets. The AC assists the Board in the oversight of proper implementation of risk management and control system.

The Group has established a robust risk management framework as an approach to identify, assess, report and monitor risks facing the Group. Kawan maintains a risk register comprises Group wide risks specific to the business activities was reviewed and updated every quarter.

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 reports directly to the AC. The Internal Audit function is primarily responsible in assessing and improving the effectiveness of the risk management, internal control systems and governance processes within the Group.

 The statement on Risk Management and Internal Control set out on pages 89 to 95 of this annual report provides a detailed description of the state of risk management and internal controls.



Corporate Governance Overview Statement



PRINCIPLE C:

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communications with Stakeholders

The Board recognises the importance of effective communication between the Company, investors, shareholders, stakeholders and public at large to provide timely, accurate, and equal access to material information on the Group's performance and operations.

Kawan engages with its stakeholders by way of announcements via Bursa Securities and press releases. All financial results, notice of dividend and ad-hoc announcements are available on the Bursa Securities' website. Investor relation section which is available on the Company's corporate website at www.kawanfood.com contains information on Kawan such as corporate profile, annual reports, Board of Directors, AGM etc for both existing and potential shareholders. The stakeholders can reach out to Kawan should they require further information or assistance.

Kawan also organised meetings with analysts, institutional fund managers, shareholders and potential investors. Our discussion generally involves financial and business performance, outlook and strategic direction of the Group.

General Meetings

The 18th AGM of the Company was conducted virtually through live streaming and online remote participation by using Remote Participation and Voting Facilities ("RPV"), which is in compliance with Section 327(2) of the Companies Act 2016. The virtual AGM provides an avenue for our shareholders to seek clarification and insights into the operations and financial performance of the Group. The Chairman took the chair of the AGM and the GCEO gave a presentation to the shareholders covering the Group's business and financial highlights for FY2021 and market outlook.

During the Question-and-Answer session of the AGM, its shareholders were invited to post their questions to the Board. The Chairman, AC Chairman and GCEO were present to answer shareholders' queries and concerns. Company's External Auditors and the Company Secretary participated remotely at the meeting.

The notice of AGM which sets out the resolutions together with the Annual Report was sent to shareholders at least twenty-one (21) days before the date of the meeting to enable shareholders to go through the annual report and papers supporting the resolutions proposed, which is in line with Section 316(2) of Companies Act 2016 and paragraph 7.15 of MMLR of Bursa Securities. Notice of AGM was circulated in a nationally circulated newspaper together with an announcement on the Bursa Securities' website. This allowed shareholders to have immediate access to the notice of AGM and made necessary preparations for the AGM.

This Statement was approved by the Board on 17 April 2023.

Audit Committee Report



The Audit Committee ("AC") comprises three (3) members, all of whom are independent Non-Executive Directors ("INED"):

01 LIM HUN SOON @ DAVID LIM*
Independent
Non-Executive Director
Membership: Chairman

02 DR. NIK ISMAIL BIN NIK DAUD
Senior Independent
Non-Executive Director
Membership: Member

03 EUGENE HON KAH WENG*
Independent
Non-Executive Director
Membership: Member

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

All the INED satisfy the independence test under the Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The AC's composition meets the MMLR which requires that at least one member of the AC must fulfil the financial expertise requisite of paragraph 15.09(1)(c) of Bursa Securities MMLR. The AC Chairman and a member of AC are members of the MIA and the Malaysian Institute of Certified Public Accountants (MICPA).

TERMS OF REFERENCE

The role, scope and responsibilities of the AC are set out in its terms of reference which are accessible on the Company's website at www.kawanfood.com.

MEETINGS

The AC conducted five (5) meetings during the financial year ended 31 December 2022 ("FY2022"), details of which are set out as follows:

Name	No. of Meetings Attended
Lim Hun Soon @ David Lim	5/5
Dr. Nik Ismail Bin Nik Daud	5/5
Eugene Hon Kah Weng	5/5

The Group Chief Executive Officer ("GCEO"), Company Secretaries, Financial Controller, Corporate Affairs Manager and other Management were invited to attend the meetings to present their reports and provide appropriate information as well as clarification to relevant items on the agenda. The internal auditors were invited to present and highlight specific issues arising from audit findings from the internal audit reports submitted to the AC during the AC meetings. The external auditors also attended the AC meeting to present their annual audit plan, key audit matters and other matters deemed relevant.

The AC Chairman reported to the Board activities and significant matters discussed at each AC meeting. Deliberations during the AC meetings were recorded. Minutes of the AC meetings were tabled for confirmation at the following AC meeting and subsequently tabled to the Board for notation.

ACTIVITIES IN FY2022

Financial Reporting

- Reviewed quarterly unaudited financial results and the draft announcements to Bursa Securities, before recommending them for Board's approval; and
- Reviewed the audited financial statements of the Group to reflect the true and fair view of the business results and financial position of the Group and that the financial statements were prepared in compliance with Malaysian Financial Reporting Standard (MFRS) prior to the approval by the Board.

External Audit

- Reviewed and approved the scope of work and audit plan for FY2022;
- Reviewed and discussed the audited financial statements and key audit matters;
- Had two (2) meetings with the external auditors without the presence of the Management to discuss relevant issues and concerns arising from the audits;
- Reviewed and recommended to the Board, the re-appointment of external auditors, taking into consideration their competencies, commitments, independence and objectivity; and
- Assessed the independence and objectivity of the external auditors and recommended to the Board the audit and non-audit fees payable to external auditors.

Audit Committee Report

Internal Audit ("IA")

- Reviewed and report to the AC on the IA plans as to their consistency with the Enterprise Risk Management Framework, specifically focus on the high risks areas identified together with the results of assessments;
- Reviewed internal audit report on a quarterly basis;
- Reviewed the internal control issues identified by internal auditors, management's response to audit recommendations and the implementation of the action plans;
- Monitored the implementation of corrective actions by Management;
- Had private sessions with the IA without the presence of Management to discuss relevant issues and concerns arising from the audits;
- Reviewed effectiveness of the IA through evaluation of performance, adequacy of resources and competencies of the internal auditors; and
- Reviewed the overall performance of the IA, including assessment of their independence, technical competency and sufficiency of its manpower and budget to carry out its work.

Risk Management and Internal Control

- Reviewed Kawan's top risk profiles and deliberated on the significant threats and opportunities on a quarterly basis;
- Reviewed quarterly risk management reports on risk management activities, exposure and mitigating actions;
- Reviewed, tracked and monitored, on an ongoing basis, the effectiveness of the Group's internal control and risk management systems; and
- Reviewed the Business Continuity Management Manual and oversaw the effectiveness of the programme via implementation of simulation.

Related Party Transactions ("RPTs")

- Reviewed all RPTs on quarterly basis to ensure RPTs were carried out on an arm's length basis and on normal commercial terms, consistent with the Company and Group's usual business practices and policies, which are not more favourable than those generally available to the third parties/public and are not to the detriment of the minority shareholders;
- Reviewed and deliberated on RPTs, recurring and potential conflict of interest that may arise; and
- Reviewed and recommended for Board's approval the Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for recurrent related party transactions of revenue or trading nature.

Annual Report

- Reviewed and recommended the following for the Board's approval:
 - Audited financial statement;
 - Management Discussion and Analysis;
 - Sustainability Statement;
 - Statement on Risk Management and Internal Control;
 - Corporate Governance Overview Statement; and
 - Corporate Governance Report.

Other Matters

- Reviewed and recommended to the Board's approval the Term of Reference of AC to align with Malaysian Code on Corporate Governance 2021 ("MCCG 2021") and the MMLR of Bursa Securities;
- Reviewed the Group's updates on key governance matters and observations in regards of the provisions set out in the MCCG 2021 pursuant to the MMLR of Bursa Securities;
- Reviewed and recommended for the Board's approval, the Statement to Shareholders in relation to the proposed renewal of authority for the Company to purchase its own ordinary shares; and
- Reviewed the proposed dividend payout taking into consideration the cash flow requirements before recommending for Board's approval.

INTERNAL AUDIT FUNCTION

The IA function of Kawan is outsourced to Tricor Axcelasia Sdn Bhd to provide independent and objective assurance on the adequacy, efficiency and effectiveness of internal controls.

The IA engagements for the FY2022 were led by Ms Josephine Lim ("Ms. Josephine") who has 20 years of experience in providing IPO advisory, risk management, compliance, UK ABC, FCPA, internal auditing, business process improvement, US Sarbanes-Oxley compliance, and forensic investigation advisory services. Ms. Josephine is a Certified Internal Auditor ("CIA") and holds a Certification in Control Self – Assessment ("CCSA") issued by the Institute Internal Auditor.

IA engagements were carried out by four (4) to five (5) staff. The internal audit staff who performed the internal audit reviews have professional qualifications and/or university degree. Some of the internal audit staff are members of the Institute of Internal Auditors Malaysia. All the internal audit staff were free from any relationships or conflict of interest, which could impair their objectivity and independence.

In accordance with the annual internal audit plan approved by the AC, the IA performed audit engagements on supply chain and procurement management, finance management, sales and marketing management, new product development, halal management, health, safety and environment, and review on plant and production operation, recurrent related party transaction, and review of Netsuite ERP system within the Group. The IA engagements were carried out using a risk-based approach and guidance from the International Professional Practice Framework. The internal audit findings and the implementation progress of previous auditable processes action plan were presented and reviewed by the AC.

The total costs incurred for outsourcing the IA function of Kawan for the FY2022 was RM85,574.



Further details of the internal audit functions can be found on pages 89 to 95 of this Annual Report under the Statement on Risk Management and Internal Control.

Additional Compliance Information



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 Notes 38 to the financial statements under "Related Parties" on pages 169 to 170 of this Annual Report.

Audit and Non-Audit Fees

During the financial year ended 31 December 2022, the amount of audit and non-audit fees paid and payable by the Group and the Company to the external auditors are as follows:

	Group RM	Company RM
Audit services rendered	301,000	55,000
Non-audit services rendered	8,000	8,000
Total	309,000	63,000

Utilisation of Proceeds

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2022.

Recurrent Related Party Transactions of Revenue Or Trading Nature

At the Eighteenth Annual General Meeting ("AGM") held on Thursday, 9 June 2022, 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 2022 is as stated in Section 2.4 of the Circular to Shareholders dated 28 April 2023.

Statement on Risk Management and Internal Control

The Board of Directors (“The Board”) is pleased to provide the Statement on Risk Management and Internal Control of Kawan Food Berhad (“the Company” or “Kawan”) and its subsidiaries (“the Group”) which outlines the nature and scope of its risk management and internal control of the Group for the financial year ended 31 December 2022. This statement has been prepared pursuant to paragraph 15.26 (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements (“MMLR”) and by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and Malaysian Code of Corporate Governance (“MCCG”).

Board Responsibilities

The Board acknowledges its commitment on its overall responsibility of the Group’s system of risk management and internal control. The Board remains committed to put in place an ongoing process for reviewing its adequacy and integrity in order to safeguard shareholders’ investment and the Group’s assets.

The Board is assisted by the Audit Committee (“AC”) which have been delegated with primary oversight on the Group’s risk management and internal control systems. The adequacy and effectiveness of internal controls were reviewed by the AC in relation to the audits conducted by Internal Audit (“IA”) during the year.

The Board recognises that the systems are designed to manage rather than eliminate risks of failure to achieve its objectives and strategies. Therefore, the systems can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board does not oversee the risk management and internal control systems of jointly controlled company as the Board does not have direct control over its operation. However, the Group’s interest in this entity is served through its representation on Board of the jointly controlled company.



Risk Culture

The risk culture is driven from the top and strengthened by the middle Management which serves as the foundation upon which a robust risk management framework is built.

Risk management are continuously communicated and reinforced throughout the Group to cultivate its identification, assessment and mitigation of risks. The Group has instilled a culture where the Board, Management and the employees are committed to strengthening processes and controls in managing business activities.

Statement on Risk Management and Internal Control



Risk Management Process

The risk management process provides a structured approach to ensure that there is an on-going process to identifying, prioritizing and managing business risks exposure. The Group's processes for assessing and managing risks are as follows:

- 01 Identify** various risk including new risks and changes affecting existing risks
- 02 Assess risks**
Assess likelihood and impact of these risks using risk matrix
- 03 Risk evaluation**
Determine the significance and risk level of these risks – high, significant, moderate and low
- 04 Decide risks responses**
– how to manage risks
- 05 Implement** risk management plans
- 06 Monitor** effectiveness and reports to AC on a quarterly basis

Statement on Risk Management and Internal Control




Managing risks within the Group involves an on-going assessment process to identify, evaluate and manage existing risks as well as new risks faced by the Group. This process has been in place for the year under review and up to the date of approval of this statement.

Kawan maintains a risk register. The risk register is reviewed and updated every quarter by RMWC. The Risk Officer then provides the AC with the Group Risk Management Reports at its scheduled meetings.

The AC deliberated on the material risks identified on a quarterly basis and the AC Chairman subsequently reported updates to the Board with respect to risk management and mitigation procedures.

Activities in FY2022

- Four (4) AC meetings were held in 2022 to discuss the Group risk agenda.
- The following Table 1.0 highlights the key focus areas of their deliberations in FY2022:

 RISING RAW MATERIAL COSTS AND INFLATION (High)	
Description of its Implication	Mitigation Measures
Supply chain disruption caused by political instabilities, civil unrest and other remained challenging that continue to give rise to higher operational costs leading to rising inflation.	<ul style="list-style-type: none"> • Maintain supply chain resilience and minimise business disruption. • Closely monitoring and track market geo-political developments. • Maintained strong relationship with suppliers and work closely with the suppliers to monitor the situations to receive necessary supplies and materials. • Diversification of suppliers and alternative sources of materials. • Leveraging advanced technologies such as data analytics to provide valuable insights into supply chain performance and potential disruptions. • Ensure that our supply chains remained strong without significant impact to ongoing orders.
 HEIGHTENED ESG FOCUS (High)	
Description of its Implication	Mitigation Measures
With the growing focus among stakeholders on Environmental, Social and Governance ("ESG") matters such as human rights, social equality and climate change, companies flagged for ESG underperformance risk the loss of stakeholders' confidence.	<ul style="list-style-type: none"> • Kawan has rolled out our sustainability roadmap outlining our sustainability strategy for the period 2022 – 2030. • The Executive Director of Marketing & Sustainability leads the execution of this sustainability strategies through various sustainability initiatives under our sustainability framework.
 POST PANDEMIC (High)	
Description of its Implication	Mitigation Measures
Macro uncertainty driven by post Covid 19 pandemic, political crisis, forex fluctuations and inflation. Economy recovery is expected in 2022 as pandemic subsides with growth on foodservice driven by changing lifestyles. However, the Company faces aggressive expansion by competitors and intense price competition as consumer purchasing power reduced.	<ul style="list-style-type: none"> • Remained vigilant in monitoring our cash flow and financial position for continued stability and growth. • Focused on continued performance growth on Revenue and Profit Before Tax and capturing new growth from new products and geographical expansion. • Continue to focus on innovation while simultaneously transforming our internal processes and systems for better synergies within the organisation. • Continue to focus on digitalisation 4.0 to further promote efficiency and resiliency of our technological capabilities. • Focus on capturing market share by expanding coverage and product portfolio using data analytics.

Statement on Risk Management and Internal Control

Activities in FY2022 (continued)

The other key activities undertaken by the AC in FY2022 include:

01

Monitored impact of post pandemic factors on business continuity, supply chain, impact on growth, productivity, operations, service delivery and financial resilience;

02

Reviewed top risks in terms of risk trend, the likelihood of their occurrence, potential impact and progress of mitigation action;

03

Continuously monitored the effectiveness of the measures taken by the Group;

04





Reviewed key updates in relation to business continuity were provided by Management; and

05

Reviewed key strategic, financial, regulatory, operational risk and actions based on the risk register external assessments and internal audit findings.

MATERIAL RISKS

Table 2.0 below presents a summary of the Group's material risks and the mitigating measures for the FY2022.

 STRATEGIC RISK (Strategic)	
Description	Mitigation
Risk associated with long term strategic objectives of the business, potential variability of business returns arising as a result of the Company's strategy and its strategic position with respect to competitors, customers, reputation, legal or regulatory change or political change.	<ul style="list-style-type: none"> • Monitor market trends, competition and geopolitical risks. • Monitor and track performance against approved targets.
 OPERATIONAL COSTS (Operational)	
Description	Mitigation
<ul style="list-style-type: none"> • Supply chain disruptions and volatile energy prices due to prolonged Russia-Ukraine conflict and escalating tensions in other regions. • Increased raw material costs such as flour, margarine and packaging materials may impact our operational costs such as raw material costs, labour costs etc. 	<ul style="list-style-type: none"> • Monitor supply availability according to current and future needs. • Explore alternative vendors to reduce reliance on sole supplier. • Engage with key vendors closely to minimise supply disruptions. • Continuous improvement on efficient process flows and cost reduction.
 PEOPLE RISK (Human Capital)	
Description	Mitigation
The success and future growth of the Group depends on the ability of attracting and retaining competent employees to drive our long-term aspirations. Having talents with required skills, knowledge and expertise is important for Kawan to expand its business.	<ul style="list-style-type: none"> • Enhance talent management and succession planning initiatives. • Reviewed compensations and benefits. • Proactive employee engagement. • Corporate Social Responsibility initiatives.
 SUSTAINABILITY RISK (Strategic)	
Description	Mitigation
Stakeholders are now increasingly expecting companies to embed sustainability into business that may affect our business performance, reputation and long-term growth.	<ul style="list-style-type: none"> • A Sustainability Strategic Framework was developed to execute its UNSDG aspirations and targets. • The Sustainability Working Committee will deliberate, monitor and drive our sustainability across the Company.

Statement on Risk Management and Internal Control

INTERNAL AUDIT

Internal Audit function of the Group was carried out by an outsourced professional consulting firm. The Group's Internal Audit function ("GIA") reports independently to the AC. The principal responsibility of GIA is to provide independent review on the adequacy, efficiency and effectiveness of risk management, control and governance. The selection of the areas to be audited is based on an annual audit plan that is approved by the AC. The annual audit plan is developed based on risk assessments of Kawan Group.

During the financial year, the GIA have conducted reviews which involved assessing the adequacy of controls over the following:

- Supply Chain and Procurement Management;
- Finance Management;
- Sales and Marketing Management;
- Human Resource Management;
- Health, Safety and Environment;
- Review on Plant and Production Operation;
- Recurrent Related Party Transaction;
- Review of Netsuite ERP system.

Upon completion of the audit assignment, the GIA provides an audit report which covers the scope of audit work performed, evaluation of the internal control systems with detailed audit observations, management responses and timeline to implement the GIA's recommendations. All significant and material findings by the internal auditors are reported to the AC for review and deliberation. The AC assessed the overall adequacy and effectiveness of the internal control systems and reports the deliberations and material findings to the Board of Directors.

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control system are as follows:

The AC and Board

The Board has delegated its authority in overseeing the adequacy and operating effectiveness of the Group's risk management and internal control systems to the AC. The AC has oversight of the independence, scope of work and resources of the Internal Audit. The AC meets quarterly to review audit and investigations reports prepared by IA. The effectiveness of the internal control system is monitored and evaluated by the AC on an ongoing basis.

Further details on AC activities can be found on AC report.

Organisation Structure & Authorisation Procedures

The Group has a formal organisation structure with clearly defined accountabilities, reporting lines and authority in order to align to its business and operational needs. The Limit of Authority clearly outlines the Board and Management's limits and approval authorities across various key processes. The delegation of authorities is duly approved by the Board and subject to review and update to reflect business and operational changes and needs.



Statement on Risk Management and Internal Control

Annual Budget and Financial Projections

The Group's annual budget is deliberated and approved by the Board on an annual basis. Actual performances are reviewed against the approved budget with explanations of major variances and presented to the Board.

Group Policies and Procedures

The Group has put in place documented policies and procedures which covers a wide range of areas including food safety, security, product quality assurance, human resource and purchasing to provide guidance for the employees. These policies are subject to review as and when required to ensure its relevance to the Group's operations and continue to support the Group's business activities as it continues to grow.

Human Resource Policies and Procedures

The HR Policies and Procedures of the Group incorporates policies and guidelines on human resource management in the Group. These policies and procedures are reviewed as and when the need arises and are communicated to employees via email.

Whistleblowing Policy

Whistleblowing Policy ("WBP") is important to provide employees with accessible channels to raise concerns or disclose information regarding suspected or known malpractices, misconducts or wrongdoings within the Group without fear of any form of victimisation, harassment, retribution or retaliation.

The policy was updated in line with the MMLR and in compliance with Section 17A of MACC (Amendment) Act 2018. The Senior Independent Non-Executive Director has oversight over the access to the whistleblowing cases and the whistleblowing processes. The Whistleblowing Policy is available on the Group's website.

Anti-Bribery and Anti-Corruption Policy ("ABAC")

Kawan Group is committed to conduct business in an honest and ethical manner which has a zero-tolerance approach against bribery and corruption.

The Kawan Group's ABAC sets out principles and clear procedures for all donations, sponsorships, hospitality and gifting activities of the Group. The ABAC also provide guidance to all employees on how to deal with improper solicitation, bribery and other corrupt activities.

This policy applies to all stakeholders and employees of Kawan and the Group. All employees are required to declare that they have read, understood and will abide by the Policy. Ongoing training on ABAC sessions are carried out to raise awareness on corporate liability. The Group's ABAC was reviewed and updated to reflect the necessary updates to comply with Section 17A of MACC (Amendment) Act 2018.

People Development

A succession planning has been established to strengthen the Group's talent and succession. The Group's has introduced Learning Management System (LMS) namely Peopleaps to provide access to online learning and development programmes and employees engagement. The Group will continue to develop its human capital by improving talent management, learning and development, organisation design and remuneration and performance management.

Information and Communication

The Group has in place effective communication of critical information channels across the Group. Matters that require Board and senior management's attention are highlighted for review, deliberation and decision making on a timely basis.



Statement on Risk Management and Internal Control

Monitoring and Review

Monthly management reports comprising key financial results and operational performance are reviewed and monitored by the management team. Quarterly financial statements are presented to the Board for their review, consideration and approval.

Business Continuity Management (“BCM”)

BCM programme is part of our commitment in enhancing business resilience throughout our Group. We have put in place a BCM programme which provides a systematic approach and consistent practices to build organisational resilience with adequate capability mechanism to ensure continuation of business and operation. Kawan has also established Crisis Management Framework to provide guidance on establishing a comprehensive approach in managing crisis. These plans will be reviewed and tested accordingly to ensure effectiveness and relevant to the current business environment.

External Certifications

The Group continues to adopt relevant safety, quality, HALAL and Occupational Health and Safety Assessment Series certification systems.

All of our manufacturing sites are subject to independent third-party audits under BRCGS Global Food Safety Standard.

The Company has been awarded MS1480: 2019 HACCP food safety certification and Veterinary Health Mark (VHM) that supports the Group on the issuance of Health Certificate for our exports.

Our Company was also awarded the HALAL “WhiteList” status by Malaysian Islamic Development Department (JAKIM) and Jabatan Agama Islam Selangor (JAIS) for HALAL fast track application which allows JAKIM and JAIS to expedite the issuance of HALAL certificate within three (3) working days. The comprehensive Halal Assurance System has been established and the Group will be subject to ad-hoc audits from time to time to ensure compliance with the systems.

REVIEW OF THIS STATEMENT BY THE EXTERNAL AUDITOR

Pursuant to Paragraph 15.23 of the Bursa Malaysia Securities Berhad’s MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the FY2022 Annual Report. Their review was performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respect, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Directors of Listed Issuers to be set out, or is factually inaccurate.

CONCLUSION

The Group Chief Executive Officer and Financial Controller have provided assurance to the Board that the Group’s risk management and internal control systems are operating adequately and effectively, in all material aspects.

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 continuously improve the Group’s risk management and internal control system to meet the Group’s corporate objectives.

This statement was approved by the Board on 17 April 2023.



SEC 04: FINANCIAL STATEMENTS

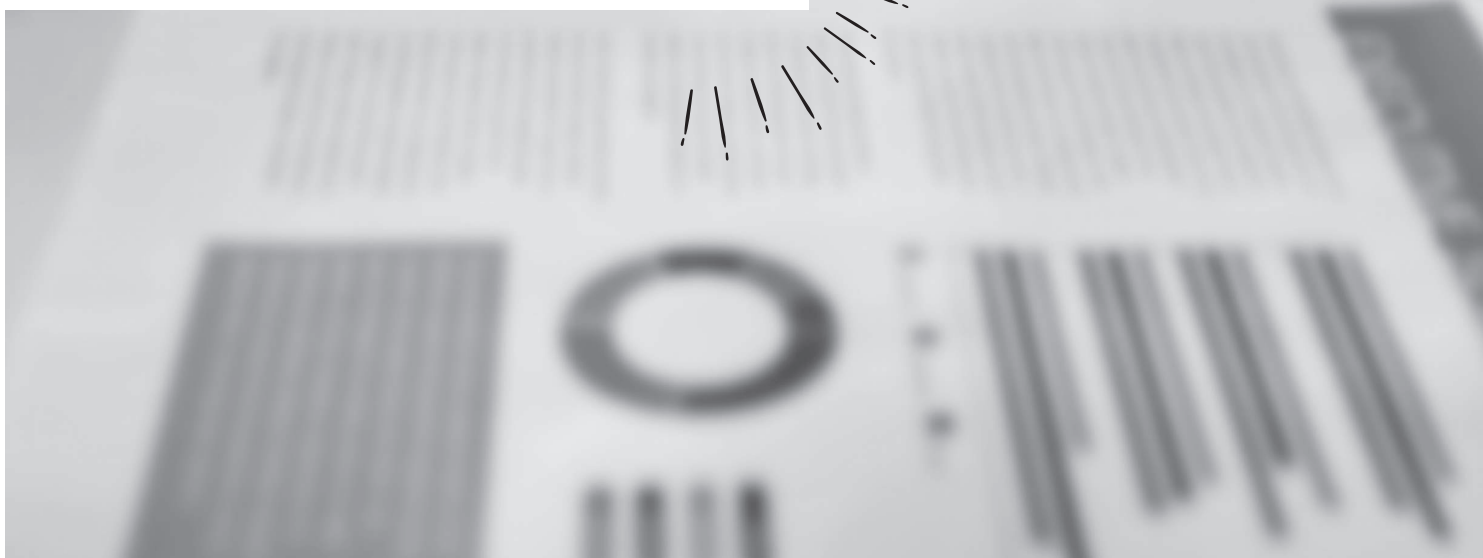
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Statement on Directors' Responsibility

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, 2016 ("the Act") so as to give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

In preparing the financial statements for the year ended 31 December 2022, 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 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 2023.

Directors' Report

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 9 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the financial year attributable to:		
Owners of the Company	38,498,719	14,834,778
Non-controlling interests	(20,981)	-
	<u>38,477,738</u>	<u>14,834,778</u>

In the opinion of the directors, the financial results 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.

DIVIDEND

The amount of dividend paid by the Company since the end of previous financial year were as follows:

In respect of the financial year ended 31 December 2022, the Company declared and paid an interim single tier dividend of 3.0 sen per ordinary share totalling RM10,768,982 on 30 March 2022.

The directors do not recommend any final dividend in respect of the financial year ended 31 December 2022.

In respect of the financial year ending 31 December 2023, the Company declared and paid an interim single tier dividend of 3.6 sen per ordinary share totalling RM13,021,188 on 31 March 2023.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM179,759,880 to RM184,889,706 by way of issuance of 3,062,000 ordinary shares pursuant to the Company's Employees' Share Option Scheme at an exercise price of RM1.540 and RM1.550 per ordinary share.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

The Company did not issue any new debentures during the financial year.

Directors' Report

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees' Share Option Scheme ("ESOS").

At an extraordinary general meeting held on 31 May 2018, the Company's shareholders approved the establishment of the ESOS of not more than 15% of the issued share capital of the Company to eligible employees of the Group and of the Company.

The salient features of the ESOS are, inter alia, as follows:

- (i) The ESOS shall be in force for a period of five (5) years commencing from the effective date on or before the expiry thereof, the Board of Directors shall have the sole and absolute discretion upon recommendation of the ESOS Committee, without the Company's shareholders' approval in a general meeting, to extend in writing the tenure of the ESOS for another five (5) years, or such shorter period as it deems fit immediately from the expiry of the first five (5) years, the ESOS shall not in aggregate exceed ten (10) years from the effective date of 2 October 2018 or such longer period as may be allowed by the relevant authorities;

On 20 March 2023, the Company had announced the extension of the duration of the ESOS for another 5 years from 2 October 2023 to 1 October 2028.

- (ii) As of the date of offer, an employee who fulfils the following conditions shall be eligible to participate in the ESOS:
 - (a) has attained eighteen (18) years of age;
 - (b) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (c) must have been confirmed in service and have served at least six (6) months in the employment of the Group and of the Company;
 - (d) the employee is under an employment contract, which the contract is for a duration of at least one (1) year and shall have not expired within three (3) months from the date of offer; and
 - (e) has fulfilled any other criteria as may be imposed by the ESOS Committee from time to time.
- (iii) The exercise price shall be determined by ESOS Committee and shall be based on the five (5)-day Volume Weighted Average Market Price ("VWAMP") of the Company's shares immediately preceding the date of offer, with a discount, if any, the such discount shall not be more than ten percent (10%);
- (iv) The shares issued and allocated pursuant to the exercise of the options shall, upon issuance and allotment rank paripassu in all respects with the then existing shares and be entitled to all rights (including voting, dividend, allotment, distribution, transfer and other rights, as well as those arising on a liquidation of the Company) attaching to the then existing shares, save and except that new shares so issued and allocated will not be entitled to any dividends, rights, allotments or other forms of distribution which may be declared, made or paid, for which entitlement date is prior to the date allotment of such new shares; and
- (v) The eligible employees shall be entitled to exercise such number of the vested options within the option period and they shall have no right to exercise all or any of the options that have been granted but not vested to them.

The options offered to take up unissued ordinary shares is as follows:

Date of offer	Expiry date	Number of options over ordinary shares				At 31.12.2022
		At 1.1.2022	Granted	Exercised	Expired	
24.11.2021	17.11.2022	3,801,500	-	(2,812,000)	(989,500)	-
20.6.2022	19.6.2023	-	250,000	(250,000)	-	-
		3,801,500	250,000	(3,062,000)	(989,500)	-

Directors' Report

DIRECTORS OF THE COMPANY

The directors of the Company who held office during the financial year until the date of this report are:

Gan Thiam Chai
 Gan Thiam Hock
 Kwan Sok Kay
 Lim Hun Soon @ David Lim
 Abdul Razak Bin Shakor
 Dr. Nik Ismail bin Nik Daud
 Eugene Hon Kah Weng
 Gan Ka Bien

DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of directors of the subsidiaries during the financial year and up to the date of this report are:

Gan Thiam Chai
 Gan Thiam Hock
 Kwan Sok Kay
 Lau Wing Hon
 Jean-Marc, Michael Lhermite (Resigned on 14 April 2023)
 Toshiro Nakazawa (Resigned on 14 April 2023)

DIRECTORS' INTERESTS

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2022 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 were as follows:

	Number of ordinary shares		
	At 1.1.2022	Acquired	At 31.12.2022

THE COMPANY

Direct interest

Gan Thiam Chai	88,170,148	3,637,400	-	91,807,548
Gan Thiam Hock	22,462,133	-	-	22,462,133
Kwan Sok Kay	19,724,405	-	-	19,724,405
Lim Hun Soon @ David Lim	7,637,028	-	-	7,637,028
Gan Ka Bien	4,013,849	-	-	4,013,849

Deemed interest

Gan Thiam Chai	10,711,600	-	-	10,711,600
Gan Thiam Hock	1,546,300	1,160,000	-	2,706,300
Kwan Sok Kay	10,711,600	-	-	10,711,600

By virtue of his substantial interests in the shares of the Company, Gan Thiam Chai is 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 the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

Directors' Report

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the benefits shown under directors' remuneration) by reason of a contract made by the Company or a related corporation with a director or with a firm of which a 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 38 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.

DIRECTORS' REMUNERATION

The amount of remuneration of the directors or past directors of the Company comprising remuneration received/receivable from the Company and the subsidiaries during the financial year are as follows:

	From the Company RM	From the subsidiaries RM
Executive directors		
Fees	340,000	-
Salaries and bonuses	-	3,018,438
Defined contribution benefits	-	365,155
Benefits-in-kind	-	52,250
Meeting allowances	54,000	-
	394,000	3,435,843
Non-executive directors		
Fees	415,000	-
Meeting allowances	108,000	-
	523,000	-
	917,000	3,435,843

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and the officers of the Group and of the Company are RM20,000,000 and RM37,110 respectively.

No indemnity has been given to or insurance premium paid, during or since the end of financial year, for the auditors of the Group and of the Company.

SUBSIDIARY COMPANIES

The details of the Company's subsidiaries are disclosed in Note 9 to the financial statements.

Directors' Report

AUDITORS' REMUNERATION

The amounts paid to or receivable by the auditors as remuneration for their services as auditors are as follows:

	Group RM	Company RM
Auditor's remuneration:		
- audit fees	301,000	55,000
- non-audit fees	8,000	8,000
	309,000	63,000

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that the current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts and the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
 - (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the Group's and the Company's financial statements misleading.
- (c) At the date of this report, there does not exist:
- (i) 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
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors:
- (i) no contingent liability 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 affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group and of the Company for the current financial year.

Directors' Report

AUDITORS

The auditors, RSM Malaysia PLT, 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

Selangor

17 April 2023

GAN THIAM HOCK

Statements of Financial Position

As at 31 December 2022

		Group		Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	210,392,802	220,072,738	-	-
Right-of-use assets	7	17,050,791	17,980,460	-	-
Investment properties	8	7,847,930	7,993,769	-	-
Investments in subsidiaries	9	-	-	64,107,252	62,126,760
Investment in an associate	10	1,615,915	-	-	-
Investment in a jointly controlled entity	11	-	-	-	-
Investment in a joint venture	12	100,000	-	-	-
Other investments	13	-	-	122,000,000	122,000,000
Deferred tax assets	14	464,119	464,119	-	-
Total non-current assets		237,471,557	246,511,086	186,107,252	184,126,760
Current assets					
Other investments	13	2,799,036	2,894,315	-	-
Trade and other receivables	15	72,547,213	55,949,928	10,656,204	4,081,031
Inventories	16	42,033,804	32,732,220	-	-
Current tax assets		4,266,268	3,897,472	2,487,900	2,084,033
Prepayments		3,110,842	4,371,561	30,706	-
Cash and cash equivalents and short-term investments	17	98,581,662	88,600,585	10,225,933	11,986,821
Total current assets		223,338,825	188,446,081	23,400,743	18,151,885
TOTAL ASSETS		460,810,382	434,957,167	209,507,995	202,278,645
EQUITY AND LIABILITIES					
Equity					
Share capital	18	184,889,706	179,759,880	184,889,706	179,759,880
Treasury shares	19	(1,345,429)	-	(1,345,429)	-
Reserves	20	213,323,547	188,583,970	25,731,549	22,145,784
		396,867,824	368,343,850	209,275,826	201,905,664
Non-controlling interests		-	658,373	-	-
TOTAL EQUITY		396,867,824	369,002,223	209,275,826	201,905,664

Statements of Financial Position

As at 31 December 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
LIABILITIES					
Non-current liabilities					
Loans and borrowings	21	-	2,113,126	-	-
Deferred tax liabilities	14	12,702,708	13,618,054	-	-
Total non-current liabilities		12,702,708	15,731,180	-	-
Current liabilities					
Loans and borrowings	21	6,398,772	10,005,435	-	-
Trade and other payables	22	44,649,288	40,026,539	232,169	372,981
Current tax liabilities		191,790	191,790	-	-
Total current liabilities		51,239,850	50,223,764	232,169	372,981
TOTAL LIABILITIES		63,942,558	65,954,944	232,169	372,981
TOTAL EQUITY AND LIABILITIES		460,810,382	434,957,167	209,507,995	202,278,645

The annexed notes form an integral part of the financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 31 December 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
REVENUE	23	293,231,119	251,769,749	14,811,593	22,710,593
COST OF SALES		(191,684,230)	(161,232,739)	-	-
GROSS PROFIT		101,546,889	90,537,010	14,811,593	22,710,593
OTHER INCOME	24	11,117,491	6,834,105	1,413,758	918,453
SELLING AND DISTRIBUTION EXPENSES		(47,361,396)	(37,574,225)	-	-
ADMINISTRATIVE EXPENSES		(25,353,412)	(23,481,359)	(1,446,134)	(1,740,168)
PROFIT FROM OPERATING ACTIVITIES		39,949,572	36,315,531	14,779,217	21,888,878
FINANCE INCOME	25	890,846	957,787	63,306	57,115
FINANCE COSTS	26	(312,323)	(617,277)	(7,745)	(175)
SHARE OF LOSS OF ASSOCIATE		(384,085)	-	-	-
PROFIT BEFORE TAXATION	27	40,144,010	36,656,041	14,834,778	21,945,818
TAXATION	28	(1,666,272)	(4,871,175)	-	-
PROFIT FOR THE FINANCIAL YEAR		38,477,738	31,784,866	14,834,778	21,945,818
OTHER COMPREHENSIVE (EXPENSE)/INCOME, NET OF TAX: <i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations	29	(2,635,288)	1,855,601	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		35,842,450	33,640,467	14,834,778	21,945,818
Profit attributable to:					
Owners of the Company		38,498,719	31,785,088	14,834,778	21,945,818
Non-controlling interests		(20,981)	(222)	-	-
		38,477,738	31,784,866	14,834,778	21,945,818
Total comprehensive income attributable to:					
Owners of the Company		35,863,431	33,640,689	14,834,778	21,945,818
Non-controlling interests		(20,981)	(222)	-	-
		35,842,450	33,640,467	14,834,778	21,945,818
EARNINGS PER ORDINARY SHARE:		2022 sen	2021 sen		
- Basic	30	10.70	8.84		
- Diluted	30	10.70	8.83		

The annexed notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 31 December 2022

	Note	Attributable to owners of the Company						Non-controlling interests RM	Total equity RM
		Non-distributable			Distributable				
		Share capital RM	Translation reserve RM	Share option reserve RM	Treasury shares RM	Retained earnings RM	Total RM		
Group									
Balance as at 1.1.2021		179,759,880	9,027,958	1,114,860	-	155,106,025	345,008,723	658,595	345,667,318
Profit for the financial year		-	-	-	-	31,785,088	31,785,088	(222)	31,784,866
Other comprehensive income for the financial year		-	1,855,601	-	-	-	1,855,601	-	1,855,601
Total comprehensive income/(expense) for the financial year		-	1,855,601	-	-	31,785,088	33,640,689	(222)	33,640,467
Contributions by and distributions to owners									
- dividend to owners of the Company	31	-	-	-	-	(10,785,593)	(10,785,593)	-	(10,785,593)
- share options granted under ESOS		-	-	480,031	-	-	480,031	-	480,031
- share options lapsed		-	-	(1,114,860)	-	1,114,860	-	-	-
Total transactions with owners of the Company		-	-	(634,829)	-	(9,670,733)	(10,305,562)	-	(10,305,562)
Balance as at 31.12.2021/1.1.2022		179,759,880	10,883,559	480,031	-	177,220,380	368,343,850	658,373	369,002,223
Profit for the financial year		-	-	-	-	38,498,719	38,498,719	(20,981)	38,477,738
Other comprehensive expense for the financial year		-	(2,635,288)	-	-	-	(2,635,288)	-	(2,635,288)
Total comprehensive (expense)/income for the financial year		-	(2,635,288)	-	-	38,498,719	35,863,431	(20,981)	35,842,450
Contributions by and distributions to owners									
- dividend to owners of the Company	31	-	-	-	-	(10,768,982)	(10,768,982)	-	(10,768,982)
- issuance of ordinary shares pursuant to ESOS	18	5,129,826	-	(386,223)	-	-	4,743,603	-	4,743,603
- share options granted under ESOS		-	-	31,351	-	-	31,351	-	31,351
- share options lapsed		-	-	(125,159)	-	125,159	-	-	-
- share buy-back	19	-	-	-	(1,345,429)	-	(1,345,429)	-	(1,345,429)
- changes in ownership interest in a subsidiary		-	-	-	-	-	-	(637,392)	(637,392)
Total transactions with owners of the Company		5,129,826	-	(480,031)	(1,345,429)	(10,643,823)	(7,339,457)	(637,392)	(7,976,849)
Balance as at 31.12.2022		184,889,706	8,248,271	-	(1,345,429)	205,075,276	396,867,824	-	396,867,824

Statements of Changes in Equity

For the Financial Year Ended 31 December 2022

	Note	Non-distributable		Distributable		Total RM
		Share capital RM	Share option reserve RM	Treasury shares RM	Retained earnings RM	
Company						
Balance as at 1.1.2021		179,759,880	1,114,860	-	9,390,668	190,265,408
Profit and total comprehensive income for the financial year		-	-	-	21,945,818	21,945,818
Contributions by and distributions to owners						
- dividend to owners of the Company	31	-	-	-	(10,785,593)	(10,785,593)
- share options granted under ESOS		-	480,031	-	-	480,031
- share options lapsed		-	(1,114,860)	-	1,114,860	-
		-	(634,829)	-	(9,670,733)	(10,305,562)
Balance as at 31.12.2021/1.1.2022		179,759,880	480,031	-	21,665,753	201,905,664
Profit and total comprehensive income for the financial year		-	-	-	14,834,778	14,834,778
Contributions by and distributions to owners						
- dividend to owners of the Company	31	-	-	-	(10,768,982)	(10,768,982)
- issuance of ordinary shares pursuant to ESOS	18	5,129,826	(386,223)	-	-	4,743,603
- share options granted under ESOS		-	31,351	-	-	31,351
- share options lapsed		-	(125,159)	-	-	(125,159)
- share buy-back	19	-	-	(1,345,429)	-	(1,345,429)
		5,129,826	(480,031)	(1,345,429)	(10,768,982)	(7,464,616)
Balance as at 31.12.2022		184,889,706	-	(1,345,429)	25,731,549	209,275,826

The annexed notes form an integral part of the financial statements.

Statements of Cash Flows

For the Financial Year Ended 31 December 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		40,144,010	36,656,041	14,834,778	21,945,818
Adjustments for:					
Bad debts written off		187,249	1,991	-	-
Depreciation of investment properties	8	145,839	148,969	-	-
Depreciation of property, plant and equipment	6	18,749,314	18,051,273	-	-
Depreciation of right-of-use assets	7	340,513	351,995	-	-
Property, plant and equipment written off	27	18,494	-	-	-
Dividends income	23	-	-	(14,811,593)	(22,710,593)
Employees’ share option scheme expenses	27	31,350	479,749	-	-
Finance income from money market funds	25	(890,846)	(957,787)	(63,606)	(57,115)
Impairment loss on trade receivables	27	1,065,377	102,288	-	-
Reversal of impairment loss on trade receivables	27	(74,206)	(53,425)	-	-
Provision for slow moving inventories	16	243,884	-	-	-
Provision for slow moving inventories no longer required	16	(109,167)	(208,376)	-	-
Inventories written off	16	435,645	491,405	-	-
Finance costs	26	168,681	416,345	-	-
Gain on disposal of property, plant and equipment	27	(43,493)	(25,303)	-	-
Gain on disposal of other investments	27	-	(465,238)	-	-
Fair value loss/(gain) on financial assets	27	95,279	(405,444)	-	-
Unrealised gain on foreign exchange	27	(725,768)	(377,593)	(1,413,758)	(918,453)
Share of loss in an associate		384,085	-	-	-
Operating profit/(loss) before working capital changes		60,166,240	54,206,890	(1,454,179)	(1,740,343)
Increase in inventories		(9,871,946)	(2,776,212)	-	-
(Increase)/Decrease in trade and other receivables, prepayments and other financial assets		(16,675,561)	(9,654,112)	(2,673,687)	3,629,922
Increase/(Decrease) in trade and other payables		5,346,781	(4,782,802)	(140,812)	262,408
Cash generated from/(used in) operations		38,965,514	36,993,764	(4,268,678)	2,151,987
Dividends received		-	-	10,785,593	19,111,593
Income tax paid		(2,953,549)	(4,624,218)	(403,867)	(934,950)
Income tax refund		3,080	-	-	-
Net cash generated from operating activities		36,015,045	32,369,546	6,113,048	20,328,630

Statements of Cash Flows

For the Financial Year Ended 31 December 2022

		Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Note					
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in an associate		(2,000,000)	-	-	-
Investment in a joint venture		(100,000)	-	-	-
Increase stake in a subsidiary		(637,392)	-	(637,392)	-
Proceeds from disposal of property, plant and equipment		59,000	611,817	-	-
Proceeds from disposal of other investments		-	4,294,483	-	-
Purchase of property, plant and equipment		(9,677,916)	(9,773,701)	-	-
Purchase of right-of-use assets		-	(604,876)	-	-
Finance income received from money market funds	25	890,846	957,787	63,606	57,115
Placement in other investments		-	(5,926,116)	-	-
Net cash (used in)/generated from investing activities		(11,465,462)	(10,440,606)	(573,786)	57,115
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to owners of the Company	31	(10,768,982)	(10,785,593)	(10,768,982)	(10,785,593)
Finance costs on loans and borrowings	26	(168,681)	(416,345)	-	-
Proceeds from Employees’ share option scheme granted to subsidiaries		1	282	-	-
Proceeds from issuance of ordinary shares pursuant to Employees' share option scheme		4,743,603	-	4,743,603	-
Repayment of loans and borrowings		(5,719,789)	(3,065,994)	-	-
Share buy-back	19	(1,345,429)	-	(1,345,429)	-
Net cash used in financing activities		(13,259,277)	(14,267,650)	(7,370,808)	(10,785,593)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,290,306	7,661,290	(1,831,546)	9,600,152
Effect of foreign exchange differences		(1,309,229)	1,528,921	70,658	47,049
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		88,600,585	79,410,374	11,986,821	2,339,620
CASH AND CASH EQUIVALENTS CARRIED FORWARD		98,581,662	88,600,585	10,225,933	11,986,821

Statements of Cash Flows

For the Financial Year Ended 31 December 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
NOTES TO THE STATEMENTS OF CASH FLOW					
The reconciliation of liabilities arising from financing activities is as follows:					
At 1 January					
Cash flows:		12,118,561	15,184,555	-	-
Interest paid		(168,681)	(416,345)	-	-
Repayments of borrowings		(5,719,789)	(3,065,994)	-	-
Non-cash changes:					
Interest charged during the financial year		168,681	416,345	-	-
At 31 December		6,398,772	12,118,561	-	-
Cash outflows for leases as lessee					
Included in net cash from operating activities:					
Payment relating to short-term leases		272,713	326,912	-	-
Total cash outflows for leases		272,713	326,912	-	-

The annexed notes form an integral part of the financial statements.

Notes to the Financial Statements

As at 31 December 2022

1. PRINCIPAL ACITIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5. Although these estimates and assumptions are based on the directors' best knowledge of events and actions, actual results could differ from those estimates.

(b) 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 includes transaction costs.

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

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(ii) Associate

Associate is an entity over which the Group has the power to participate in its financial and operating policy decisions, but which is not control or joint control. Associate is accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of comprehensive income of the associate. On acquisition of the investment, the associate's identifiable assets and liabilities are measured at fair value. Any excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill and included in the carrying amount of the investment. Goodwill is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of its associate's post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Distributions received from an investee reduce the carrying amount of the investment.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group does not provide for additional losses, unless it has incurred obligations or made payments on behalf of the associate.

Profits or losses on Group transactions with associate is eliminated to the extent of the Group's interest in the relevant associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investment in associate is 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 investments includes transaction costs.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(iii) 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 interest 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.

(iv) Acquisitions 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.

(v) 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.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(vi) Joint arrangements

A joint arrangement (i.e. either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the Group is party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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.

Joint venture is an entity over which the Group has the power to participate in its financial and operating policy decisions, but which is not control or joint control. Joint venture is accounted for using the equity method of accounting.

Investment in a joint venture is 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 investments includes transaction costs.

(vii) 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 are 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 doing so causes the non-controlling interests to have a deficit balance.

(viii) 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.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 foreign currency translation reserve ("FCTR") in equity.

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

The assets and liabilities of operations 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 Group and 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 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.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments

(i) Initial recognition and measurement

The Group and the Company recognise a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Group and the Company become a party to the contractual provisions of the instruments.

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(ii) Financial assets

For the purpose of subsequent measurement, the Group or the Company classify financial assets into two measurement categories, namely: (i) financial assets at amortised cost ("AC") and (ii) financial assets at fair value through profit or loss ("FVPL"). The classification is based on the Group's and the Company's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Group and the Company measure financial assets, as follows:

(i) Financial assets at AC

A financial asset is measured at AC if: (a) it is held within the Group's and the Company's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

(ii) Financial assets at FVPL

A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC model.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 3(k)(i)

(iii) Financial liabilities

After initial recognition, the Group and the Company measure all financial liabilities at amortised cost using the effective interest method, except for:

Financial guarantee contracts 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 guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of: (a) the amount of the loss allowance; and (b) the amount initially recognised less, when appropriate, the cumulative of income recognised in accordance with the principles in MFRS 15 *Revenue from Contracts with Customers*.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(iv) Derecognition of financial instruments

For derecognition purposes, the Group and the Company first determine whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial asset, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group and the Company transfer the contractual rights to receive cash flows of the financial asset, including circumstances when the Group and the Company act only as a collecting agent of the transferee, and retain no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expired. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group and the Company consider a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

(v) Fair value measurement

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique as described in Note 3(v).

(vi) Recognition of gains and losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised cost, interest income and interest expense are recognised in profit or loss using the effective interest method. A gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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.

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 or 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" and "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 is 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 from the date that they are available for use. 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 66 to 82 years.

The estimated useful lives of other property, plant and equipment for the current and previous years are as follows:

Buildings	40 to 50 years
Apartments	50 years
Motor vehicles	5 to 10 years
Furniture, fittings and office equipment	3 to 10 years
Plant and machinery	10 years
Renovation	10 years
Signage	10 years

Capital work in progress is not depreciated until the assets are ready for their intended use.

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

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either the Group has the right to operate the asset; or the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentive receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on straight-line basis over the lease term as part of "other income".

(g) Goodwill

Goodwill arises on business combinations is 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.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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 lease held for a currently undetermined future use. Properties that are occupied by 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. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

An investment property is 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 85 years for leasehold land. Freehold land is not depreciated.

(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.

(i) Inventories

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

The cost of inventories is measured based on the weighted average cost 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.

(j) 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 fair value.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit losses, except for cash and bank balance. Loss allowances for trade receivables is always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12 months expected losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experiences.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generated sufficient cash flows to repay the amounts subject to write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(ii) Other assets

The carrying amount of the 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 exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of 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.

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.

(l) 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.

(iii) Dividend distribution

Dividends are recognised as liabilities when they are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity). Typically, dividends are recognised as liabilities in the period in which their distribution is approved at the Shareholders' Annual General Meeting. Interim dividends are recognised when paid.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Equity instruments (continued)

(iv) Treasury shares

The cost of treasury shares purchased is shown as a deduction from equity in the statement of financial position. When treasury shares are sold or reissued, they are credited to equity. As a result, no gain or loss on treasury shares is included in profit or loss.

(m) 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 and the Company have 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.

(n) Share-based payments

Share-based payments of the Group and of the Company are equity-settled share options granted to employees, for which an option pricing model is used to estimate the fair value at grant date. That fair value is charged on a straight-line basis as an expense in the profit or loss over the period that the employee becomes unconditionally entitled to the options (vesting period), with a corresponding increase in equity.

The number of such options is adjusted annually to reflect best estimates of those expected to vest (ignoring purely market-based conditions) with consequent changes to the expense. Equity is also increased by the proceeds receivable, as and when employees choose to exercise their options.

If the Group and the Company modify the terms and conditions on which the equity instruments were granted, as a minimum, the services received measured at the grant date fair value of the equity instruments granted (unless those equity instruments do not vest because of failure to satisfy a vesting condition other than a market condition) are charged to the profit or loss.

Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore the unrecognised remaining amount is recognised immediately in profit or loss.

(o) 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 pre-tax 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.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the assets.

The Group transfers control of goods or services at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group performs;
- (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(ii) Dividend income

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

(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 accounting policy on borrowing costs.

(q) 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.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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 amounts 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 neither 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 assets and liabilities 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.

(s) 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 owners of the Company by the weighted average number of ordinary shares outstanding during the year, and adjusted for own shares held.

The dilutive earnings per share of the Group has been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares that would have been issued upon full exercise of the remaining share options and convertible notes, adjusted by the number of such shares that would have been issued at fair value.

(t) 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 Chief Executive Officer 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.

(u) Contingent liabilities

Where it is not probable that an outflow 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.

Notes to the Financial Statements

As at 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Fair value measurements

Fair value of an asset or a liability, except for 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 and the Company use 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 and the Company can access 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 and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

4.1 Amendments to MFRSs adopted

For the preparation of the financial statements, the following amendments to the MFRSs issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2022:

- Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment – Property, Plant and Equipment–Proceeds before Intended Use
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts–Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018–2020

The adoption of the above-mentioned amendments to MFRSs has no significant impact on the financial statements of the Group and of the Company.

Notes to the Financial Statements

As at 31 December 2022

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.2 Amendments to MFRSs not yet effective

The following are amendments to the MFRSs that have been issued by the MASB up to the date of the issuance of the Group's and of the Company's financial statements but have not been adopted by the Group and the Company:

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112 *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16 *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101 *Presentation of Financial Statements – Non-current Liabilities with Covenants*

Amendments to MFRSs effective for annual periods beginning on or after a date yet to be confirmed

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

The directors anticipate that the above-mentioned amendments will be adopted by the Group and the Company when they become effective.

The initial application of amendments to MFRSs is not expected to have any significant impact on the financial statements of the Group and of the Company.

4.3 MFRSs and Amendments to MFRSs not applicable

- MFRS 17 *Insurance Contracts*, Amendments to MFRS 17 *Insurance Contracts* and Amendment to MFRS 17 *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 Financial Instruments – Comparative Information* are not expected to be applicable to the Group and the Company.

Notes to the Financial Statements

As at 31 December 2022

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing its financial statements, the Group and the Company have made significant judgements, estimates and assumptions that impact on the carrying value of certain assets, liabilities, income and expenses as well as other information reported in the notes. The Group and the Company periodically monitor such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipment, right-of-use assets and investment properties

The cost of property, plant and equipment, right-of-use assets and investment properties are depreciated on a straight-line basis over their estimated economic useful lives. The directors estimate the useful lives of these property, plant and equipment, right-of-use assets and investment properties to be within 3 to 85 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, right-of-use assets and investment properties are disclosed in Note 6, Note 7 and Note 8 respectively.

(b) Impairment of non-financial assets

The Group and the Company assess 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 carrying amount of the non-financial assets are disclosed in Notes 6 to 12 respectively.

(c) Loss allowances of financial assets

The Group and the Company assess 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 and the Company consider factors such as the probability of insolvency, significant financial difficulties of the receivables, default or significant delay in payments, current economic trends and forward-looking information that is available.

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.

Notes to the Financial Statements

As at 31 December 2022

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Tax

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 2022 of the Group and of the Company is RM4,266,268 (2021: RM3,897,472) and RM2,487,900 (2021: RM2,084,033) respectively.

The carrying amount of current tax liabilities at 31 December 2022 of the Group is RM191,790 (2021: RM191,790).

The carrying amount of deferred tax assets and liabilities are disclosed in Note 14.

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.

(e) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is written down to their estimated realisable value when their cost may no longer be recoverable such as when inventories are damaged or become wholly or partly obsolete or their selling prices have declined. In any case, the realisable value represents the best estimate of the recoverable amount, is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of write-downs to net realisable value include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and may materially affect the carrying amount of inventories at the reporting date (as reflected in Note 16).

(f) Share-based payments

Share-based payments are measured at grant date fair value. For share options granted to employees, in many cases market prices are not available and therefore the fair value of the options granted shall be estimated by applying an option pricing model. Option pricing models need input data such as expected volatility of the share price, expected dividends or the risk-free interest rate for the life of the option. The overall objective is to approximate the expectations that would be reflected in a current market or negotiated exchange price for the option. Such assumptions are subject to judgements and may turn out to be significantly different than expected.

Fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's and the Company's estimate of equity instruments that will eventually vest. The estimate of the number of equity instruments expected to vest is revised by the Group and the Company at the end of each reporting period through settlement. Revisions of the original estimates, if any, is recognised in profit or loss so that the cumulative expense includes the revised estimate, with the corresponding adjustment to the reserve for employee equity-settled benefits.

Notes to the Financial Statements

As at 31 December 2022

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM	Apartments RM	Motor vehicles RM
Group			
Cost			
At 1 January 2021	116,443,686	515,912	5,800,959
Additions	143,270	-	476,053
Disposals	-	-	(764,100)
Written off	-	-	-
Effect of movements in exchange rates	1,228,764	-	80,149
Reclassification	3,759,561	-	-
At 31 December 2021/1 January 2022	121,575,281	515,912	5,593,061
Additions	-	-	746,419
Disposals	-	-	(145,923)
Written off	-	-	(158,501)
Effect of movements in exchange rates	(838,584)	-	(49,926)
Reclassification	107,779	-	-
Transfer from right-of-use assets	-	-	-
At 31 December 2022	120,844,476	515,912	5,985,130
Accumulated depreciation			
At 1 January 2021	9,705,068	167,390	2,060,836
Charge for the financial year	2,385,023	10,741	1,125,412
Disposals	-	-	(429,767)
Written off	-	-	-
Effect of movements in exchange rates	266,757	-	55,328
At 31 December 2021/1 January 2022	12,356,848	178,131	2,811,809
Charge for the financial year	2,420,574	10,741	1,086,338
Disposals	-	-	(130,417)
Written off	-	-	(140,007)
Effect of movements in exchange rates	(159,567)	-	(37,069)
Transfer from right-of-use assets	-	-	-
At 31 December 2022	14,617,855	188,872	3,590,654
Accumulated impairment loss			
At 1 January 2021	-	-	-
Effect of movements in exchange rates	-	-	-
At 31 December 2021/1 January 2022	-	-	-
Effect of movements in exchange rates	-	-	-
At 31 December 2022	-	-	-
Carrying amounts			
At 31 December 2021/1 January 2022	109,218,433	337,781	2,781,252
At 31 December 2022	106,226,621	327,040	2,394,476

Notes to the Financial Statements

As at 31 December 2022

Furniture, fittings and office equipment RM	Plant and machinery RM	Renovations RM	Signage RM	Capital work in progress RM	Total RM
13,481,317	146,355,806	8,454,966	287,029	17,336,099	308,675,774
1,255,564	2,150,063	26,037	-	5,722,714	9,773,701
(83,650)	(889,202)	-	-	-	(1,736,952)
-	(2,960)	-	-	-	(2,960)
71,020	1,046,621	-	-	(654,282)	1,772,272
20,580	14,069,402	107,463	-	(17,957,006)	-
14,744,831	162,729,730	8,588,466	287,029	4,447,525	318,481,835
515,720	3,121,455	-	-	5,294,322	9,677,916
-	(18,000)	-	-	-	(163,923)
-	-	-	-	-	(158,501)
(383,622)	(598,416)	-	-	(3,908)	(1,874,456)
8,119	5,357,204	-	-	(5,473,102)	-
604,876	-	-	-	-	604,876
15,489,924	170,591,973	8,588,466	287,029	4,264,837	326,567,747
5,766,993	56,457,429	5,438,842	90,457	-	79,687,015
1,565,515	12,561,131	378,728	24,723	-	18,051,273
(22,566)	(698,105)	-	-	-	(1,150,438)
-	(2,960)	-	-	-	(2,960)
57,879	954,745	-	-	-	1,334,709
7,367,821	69,272,240	5,817,570	115,180	-	97,919,599
1,636,259	13,198,673	372,006	24,723	-	18,749,314
-	(17,999)	-	-	-	(148,416)
-	-	-	-	-	(140,007)
(41,322)	(556,757)	-	-	-	(794,715)
116,804	-	-	-	-	116,804
9,079,562	81,896,157	6,189,576	139,903	-	115,702,579
-	489,965	-	-	-	489,965
-	(467)	-	-	-	(467)
-	489,498	-	-	-	489,498
-	(17,132)	-	-	-	(17,132)
-	472,366	-	-	-	472,366
7,377,010	92,967,992	2,770,896	171,849	4,447,525	220,072,738
6,410,362	88,223,450	2,398,890	147,126	4,264,837	210,392,802

Notes to the Financial Statements

As at 31 December 2022

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Apartments

The strata title for apartments with net carrying amount of RM152,575 (2021: RM157,563) have yet to be issued to a subsidiary.

(b) Security

Buildings with net carrying amount of RM18,132,690 (2021: RM19,156,629) have been charge to licensed banks for banking facilities granted to subsidiaries (Note 21).

7. RIGHT-OF-USE ASSETS

	Leasehold lands RM	Prepaid lease payments RM	Total RM
Group			
Cost			
At 1 January 2021	16,737,790	3,943,745	20,681,535
Addition	-	604,876	604,876
Effect of movements in exchange rates	-	248,530	248,530
At 31 December 2021/1 January 2022	16,737,790	4,797,151	21,534,941
Transfer to property, plant and equipment	-	(604,876)	(604,876)
Effect of movements in exchange rates	-	(140,066)	(140,066)
At 31 December 2022	16,737,790	4,052,209	20,789,999
Accumulated depreciation			
At 1 January 2021	2,033,942	1,104,250	3,138,192
Charge for the financial year	207,491	144,504	351,995
Effect of movements in exchange rates	-	64,294	64,294
At 31 December 2021/1 January 2022	2,241,433	1,313,048	3,554,481
Charge for the financial year	201,067	139,446	340,513
Transfer to property, plant and equipment	-	(116,804)	(116,804)
Effect of movements in exchange rates	-	(38,982)	(38,982)
At 31 December 2022	2,442,500	1,296,708	3,739,208
Carrying amounts			
At 31 December 2021/1 January 2022	14,496,357	3,484,103	17,980,460
At 31 December 2022	14,295,290	2,755,501	17,050,791

Notes to the Financial Statements

As at 31 December 2022

7. RIGHT-OF-USE ASSETS (CONTINUED)**(a) Lands**

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

(b) Prepaid lease payments

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 34 years (2021: 35 years).

(c) Security

Leasehold lands and prepaid lease payments with net carrying amount of RM15,651,586 (2021: RM16,009,431) have been charged to licensed banks banking facilities granted to subsidiaries (Note 21).

8. INVESTMENT PROPERTIES

	Group	
	2022 RM	2021 RM
Cost		
At 1 January/31 December	10,491,946	10,491,946
Accumulated depreciation		
At 1 January	2,498,177	2,349,208
Charge for the financial year	145,839	148,969
At 31 December	2,644,016	2,498,177
Carrying amounts		
At 31 December	7,847,930	7,993,769
Represented by:		
Leasehold land with unexpired lease period of more than 50 years	5,812,254	5,893,663
Buildings	2,035,676	2,100,106
	7,847,930	7,993,769

Investment properties comprise two (2021: two) commercial properties that are leased to third parties. The leases are renewable on yearly basis. No contingent is charged.

Notes to the Financial Statements

As at 31 December 2022

8. INVESTMENT PROPERTIES (CONTINUED)

The fair value of the investment properties are as follows:

	Group	
	2022 RM	2021 RM
At 31 December	66,909,323	53,015,086

The Group estimates the fair value of its investment properties based on the comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities.

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

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	
	2022 RM	2021 RM
Rental income	(1,618,080)	(871,900)
Direct operating expenses	123,995	119,703

Investment properties of the Group amounting to RM7,847,930 (2021: RM7,993,769) has been charged to a licensed bank for credit facilities granted to a subsidiary (Note 21).

9. INVESTMENT IN SUBSIDIARIES

	Company	
	2022 RM	2021 RM
Unquoted shares – at cost	37,037,514	37,037,514
Increase stake in a subsidiary	637,392	-
Dissolution of a subsidiary	(96,900)	-
	37,578,006	37,037,514
Less: Impairment loss		
At beginning of the financial year	(96,900)	(96,900)
Impairment loss no longer required	96,900	-
At end of the financial year	-	(96,900)
	37,578,006	36,940,614
Capital contribution	20,730,322	20,730,322
Effect of movements in exchange rates	5,798,924	4,455,824
	64,107,252	62,126,760

Notes to the Financial Statements

As at 31 December 2022

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Subsidiaries of the Group	Effective ownership interest		Country of incorporation	Principal activities
	2022 %	2021 %		
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
KLBG Sdn. Bhd.**	100	60	Malaysia	Manufacturing and exporting of frozen food products
Dikawani Foods Sdn. Bhd.®	-	51	Malaysia	Food truck operator
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 other member firms of RSM International

** On 14 December 2022, the Company acquired 1,200,000 ordinary shares, representing 40% of equity interest in KLBG Sdn. Bhd. for a total consideration of RM637,392. Subsequently, the entire equity interest is held by the Company.

® On 22 July 2021, the entity has been dissolved.

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.

Non-controlling interests in subsidiary

The Group's subsidiary that has material non-controlling interests ("NCI") is as follows:

	KLBG Sdn. Bhd.	
	2022 RM	2021 RM
NCI percentage of ownership interest and voting interest	40%	40%
Carrying amount of NCI	-	658,373
Loss allocated to NCI	(20,981)	(222)

Notes to the Financial Statements

As at 31 December 2022

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiary (continued)

Summarised financial information before intra-group elimination

	2021 RM
As at 31 December	
Non-current asset	640,025
Current assets	1,365,306
Current liability	(359,083)
Net assets	1,646,248
Year ended 31 December	
Revenue	13,041
Loss and total comprehensive expense for the financial year	(555)
Cash flows used in operating activities	(4,242)
Cash flows from financing activity	1
Net decrease in cash and cash equivalent	(4,241)

10. INVESTMENT IN AN ASSOCIATE

	Group	
	2022 RM	2021 RM
Unquoted shares - at cost	2,000,000	-
Share of post-acquisition loss	(384,085)	-
	1,615,915	-

Details of the associate are as follows:

Associate of the Group	Effective ownership interest		Country of incorporation	Principal activities
	2022 %	2021 %		
Kejap Food Sdn. Bhd. ^{#^@}	32.5	-	Malaysia	Sales of food and beverages via stall and drive-thru basis

[#] Not audited by RSM Malaysia PLT.[^] On 22 March 2022, the Company acquired 32.5% of equity interest in Kejap Food Sdn. Bhd. for total consideration of RM 2 million.[@] The associate was accounted for using the equity method by the group based on management accounts as at 31 December 2022 as the associate's financial year ends on 30 September.

Notes to the Financial Statements

As at 31 December 2022

10. INVESTMENT IN AN ASSOCIATE (CONTINUED)

The following table summarises the unaudited information of the Group's material associate:

	Kejap Food Sdn. Bhd. 2022 RM
Summarised financial information	
As at 31 December	
Non-current asset	2,161,395
Current assets	474,708
Non-current liabilities	(245,000)
Current liabilities	(1,389,397)
Net assets	1,001,706
Period ended 31 December	
Revenue	1,852,007
Loss and total comprehensive expense for the financial year	(1,280,979)
Group's share of results	
Period ended 31 December	
Group's share of loss and total comprehensive expense for the financial year	(384,085)

11. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2022 RM	2021 RM
Unquoted shares – at cost	100,000	100,000
Dissolution of jointly controlled entity	(100,000)	-
	-	100,000
Less: Impairment loss		
At beginning of the financial year	(100,000)	(100,000)
Impairment loss no longer required	100,000	-
At end of the financial year	-	(100,000)
	-	-

Details of the jointly controlled entity are as follows:

	Effective ownership interest			
Jointly controlled entity of the Group	2022 %	2021 %	Country of incorporation	Principal activities
Hot & Go Management Sdn. Bhd.	-	50	Malaysia	Operation of kiosk for food and beverage

On 26 August 2021, the entity has been dissolved.

Notes to the Financial Statements

As at 31 December 2022

12. INVESTMENT IN A JOINT VENTURE

	Group	
	2022 RM	2021 RM
Unquoted shares – at cost	100,000	–

Details of the joint venture are as follows:

Joint Venture of the Group	Effective ownership interest		Country of incorporation	Principal activities
	2022 %	2021 %		
Kawan2Nature Sdn. Bhd. ^{^#}	40	–	Malaysia	Venture into biocompost business

[^] On 16 December 2022, the Group has established and registered a joint venture company with Good2Nature Sdn. Bhd. On 20 January 2023, the Group had via one of its wholly own subsidiaries, entered into a Joint Venture Agreement with Good2Nature Sdn. Bhd., which is the counterparty of the joint venture.

[#] The joint venture company was established and incorporated for less than one month as of 31 December 2022. Hence, no summarised financial information has been disclosed as the directors of the Group regarded the financial information as immaterial to the Group.

13. OTHER INVESTMENTS

Group	Shares quoted in Malaysia RM	Total RM
2022		
Current		
Financial assets at fair value through profit or loss	2,799,036	2,799,036
Market value of quoted investments	2,799,036	2,799,036

2021		
Current		
Financial assets at fair value through profit or loss	2,894,315	2,894,315
Market value of quoted investments	2,894,315	2,894,315

	Company	
	2022 RM	2021 RM
Non-current		
At cost		
Redeemable Cumulative Preference Shares (Unquoted shares)	122,000,000	122,000,000
Dividends recognised in profit or loss	4,026,000	3,599,000

Notes to the Financial Statements

As at 31 December 2022

14. DEFERRED TAX ASSETS/(LIABILITIES)**Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 RM	2021 RM	2022 RM	2021 RM	2022 RM	2021 RM
Group						
Property, plant and equipment	-	-	(19,952,205)	(15,334,754)	(19,952,205)	(15,334,754)
Provisions	3,269,766	2,464,567	-	-	3,269,766	2,464,567
Reinvestment allowance	4,320,000	-	-	-	4,320,000	-
Others	123,850	-	-	(283,748)	123,850	(283,748)
Deferred tax assets/(liabilities)	7,713,616	2,464,567	(19,952,205)	(15,618,502)	(12,238,589)	(13,153,935)
Set off	(7,249,497)	(2,000,448)	7,249,497	2,000,448	-	-
Net deferred tax assets/(liabilities)	464,119	464,119	(12,702,708)	(13,618,054)	(12,238,589)	(13,153,935)

Movement in temporary differences during the financial year

	At 1.1.2021 RM	Recognised in profit or loss (Note 28) RM	Recognised in other comprehensive income (Note 29) RM	At 31.12.2021/ 1.1.2022 RM	Recognised in profit or loss (Note 28) RM	Recognised in other comprehensive income (Note 29) RM	At 31.12.2022 RM
Group							
Property, plant and equipment	(12,608,470)	(2,726,284)	-	(15,334,754)	(4,617,451)	-	(19,952,205)
Provisions	3,753,886	(1,289,319)	-	2,464,567	805,199	-	3,269,766
Reinvestment allowance	-	-	-	-	4,320,000	-	4,320,000
Others	120,603	(404,316)	(35)	(283,748)	407,653	(55)	123,850
	(8,733,981)	(4,419,919)	(35)	(13,153,935)	915,401	(55)	(12,238,589)

As at 31 December 2022, the Group has the following deferred tax assets which are not recognised in the financial statements due to uncertainty in the availability of future taxable income:

	Group	
	2022 RM	2021 RM
Property, plant and equipment	(92,514)	(85,528)
Unabsorbed capital allowances	140,291	114,339
Unabsorbed tax losses	262,813	225,573
	310,590	254,384

Notes to the Financial Statements

As at 31 December 2022

14. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

As at 31 December 2022, the Group has unabsorbed capital allowances and unabsorbed tax losses of approximately RM584,000 (2021: RM476,000) and RM1,095,000 (2021: RM939,000) respectively, which are available to set off against future chargeable income.

The unabsorbed capital allowances are available indefinitely for offset against future taxable profits except for the tax losses which will expire in the following financial years:

	Group	
	2022 RM	2021 RM
Year of assessments		
2029	300,817	300,817
2030	532,821	530,821
2031	106,248	106,248
2032	155,167	-

15. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Trade					
Trade receivables	(a)	67,939,251	56,083,994	-	-
Less: Impairment loss					
- Individual impairment losses		(1,195,814)	(413,198)	-	-
- Collective impairment losses		(373,088)	(164,533)	-	-
Effect of movements in exchange rates		(15,920)	(27,845)	-	-
		66,354,429	55,478,418	-	-
Non-trade					
Amount due from subsidiaries	(b)	-	-	10,654,204	4,079,031
Other receivables	(c)	6,192,784	471,510	2,000	2,000
		6,192,784	471,510	10,656,204	4,081,031
		72,547,213	55,949,928	10,656,204	4,081,031

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2021: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables of the Group is amount of RM11,858,158 (2021: RM4,864,793) due from companies in which certain directors have interests and held directorship.

(b) Amount due from subsidiaries

Amount due from subsidiaries is unsecured, interest free and receivable on demand.

(c) Other receivables

Included in other receivables of the Group is deposits paid to acquire five (5) parcels of vacant leasehold industrial lands.

Notes to the Financial Statements

As at 31 December 2022

16. INVENTORIES

	Group	
	2022 RM	2021 RM
At cost		
Raw materials	5,805,901	4,261,819
Packing materials	6,172,907	5,942,829
Finished goods	24,506,350	16,799,971
Spare parts	5,613,789	4,641,530
Goods-in-transit	539,018	1,555,515
	42,637,965	33,201,664
Less: Allowance for slow moving inventories		
At beginning of the financial year	(469,444)	(677,820)
Allowance during the financial year	(243,884)	-
Allowance no longer required	109,167	208,376
At end of the financial year	(604,161)	(469,444)
	42,033,804	32,732,220
Recognised in profit or loss:		
Inventories recognised as cost of sales	190,822,578	161,226,574
Inventories written off	435,645	491,405
Provision for slow moving inventories	243,884	-
Provision for slow moving inventories no longer required	(109,167)	(208,376)

17. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Money market funds with licensed fund management companies				
- redeemable at call	560,714	317,610	201,828	159,047
- redeemable upon 1 day notice	53,899,555	62,587,727	1,810,259	2,061,210
	54,460,269	62,905,337	2,012,087	2,220,257
Cash and bank balances	44,121,393	25,695,248	8,213,846	9,766,564
	98,581,662	88,600,585	10,225,933	11,986,821

Notes to the Financial Statements

As at 31 December 2022

18. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2022	2021	2022 RM	2021 RM
<i>Issued and fully paid with no par value</i>				
At 1 January	359,519,760	359,519,760	179,759,880	179,759,880
Issued for cash under Employees' Share Option Scheme	3,062,000	-	5,129,826	-
At 31 December	362,581,760	359,519,760	184,889,706	179,759,880

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the financial year, the issued and paid-up share capital of the Company was increased from RM179,759,880 to RM184,889,706 by way of issuance of 3,062,000 ordinary shares pursuant to the Company's Employees' Share Option Scheme at an exercise price of RM1.540 and RM1.550 per ordinary share.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

19. TREASURY SHARES

	Group and Company	
	2022 RM	2021 RM
At cost		
At 1 January	-	-
Acquired during the financial year	(1,345,429)	-
At 31 December	(1,345,429)	-

The shares purchased can be retained as treasury shares, distributed as dividend, transferred, resold or subsequently cancelled in accordance with Section 127 of the Companies Act 2016.

Notes to the Financial Statements

As at 31 December 2022

19. TREASURY SHARES (CONTINUED)

The Company repurchased its shares of 882,100 ordinary shares with total consideration of RM1,345,429 as follows:

Date	Number of shares	Purchase price	Total consideration paid RM
8 February 2022	10,000	1.450	14,500
15 February 2022	44,700	1.500	67,050
17 February 2022	25,500	1.500	38,250
28 February 2022	50,000	1.620	81,000
3 March 2022	99,500	1.597	158,900
4 March 2022	73,000	1.592	116,244
7 March 2022	37,500	1.539	57,693
9 March 2022	26,500	1.510	40,015
10 March 2022	23,200	1.526	35,411
11 March 2022	76,700	1.518	116,399
14 March 2022	87,100	1.520	132,392
17 March 2022	200,900	1.482	297,734
18 March 2022	107,500	1.489	160,041
21 March 2022	20,000	1.490	29,800
	882,100		1,345,429

At the reporting date, the number of outstanding shares in issue after setting off the treasury shares against equity was 361,699,660.

20. RESERVES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<i>Non-distributable:</i>				
Translation reserve	8,248,271	10,883,559	-	-
ESOS share option reserve	-	480,031	-	480,031
	8,248,271	11,363,590	-	480,031
<i>Distributable:</i>				
Retained earnings	205,075,276	177,220,380	25,731,549	21,665,753
	213,323,547	188,583,970	25,731,549	22,145,784

Notes to the Financial Statements

As at 31 December 2022

20. RESERVES (CONTINUED)

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 Ringgit Malaysia ("RM").

	Group	
	2022 RM	2021 RM
At beginning of financial year	10,883,559	9,027,958
Foreign currency translation during the financial year	(2,635,288)	1,855,601
At end of financial year	8,248,271	10,883,559

Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

Share-based payments arrangement

Share option programme (equity settled)

On 31 May 2018, the shareholders of the Company approved the Employees' Share Option Scheme. In accordance with this programme, holders of vested options are entitled to purchase shares at the market price of the shares at the date of grant.

The terms and conditions related to the grant of the share option scheme are as follows; all options are to be settled by physical delivery of shares:

Grant date/employee entitled	Number of options	Contractual life of options	Exercisable period
2022			
Option granted to eligible employees on 20 June 2022	250,000	1 year	20 June 2022 to 19 June 2023
Total share options	250,000		
2021			
Option granted to eligible employees on 24 November 2021	3,801,500	1 year	24 November 2021 to 17 November 2022
Total share options	3,801,500		

No vesting conditions for options offered.

Notes to the Financial Statements

As at 31 December 2022

20. RESERVES (CONTINUED)**Share-based payments arrangement (continued)**Share option programme (equity settled) (continued)

The number and weighted average exercise process of shares options are as follows:

	2022 Number of options	2021 Number of options
Outstanding at 1 January	3,801,500	5,004,000
Granted during the financial year	250,000	3,801,500
Exercised during the financial year	(3,062,000)	-
Lapsed during the financial year	(989,500)	(5,004,000)
Outstanding at 31 December	-	3,801,500
Exercisable at 31 December	-	3,801,500

During the financial year, the share options granted have an exercise price of RM1.540 (2021: RM1.550) and contractual life of 1 year (2021: 1 year). No option outstanding at 31 December 2022.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using trinomial option pricing model, with the following inputs:

	2022 RM	2021 RM
Fair value of share options and assumptions		
Fair value at grant date	0.1254	0.1262
Weighted average share price	1.703	1.613
Share price at grant date	1.540	1.550
Expected volatility (weighted average volatility)	28.390%	26.661%
Options life (expected weighted average life)	1 year	1 year
Expected dividends	1.762%	1.859%
Risk-free interest rate (based on Malaysia Government Securities)	2.925%	2.159%

Value of employee services received for issue of share options

	Group	
	2022 RM	2021 RM
Share options granted	31,350	479,749
Total expenses recognised as share-based payments	31,350	479,749

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As at 31 December 2022

21. LOANS AND BORROWINGS

	Group	
	2022 RM	2021 RM
Term loans		
Classified as:		
- non-current liability	-	2,113,126
- current liability	6,398,772	10,005,435
	6,398,772	12,118,561
 Present value of term loans		
Analysed as follows:		
- not later than 1 year	6,398,772	10,005,435
- later than 1 year but not later than 5 years	-	2,113,126
	6,398,772	12,118,561

The Group's term loans are secured over leasehold lands and buildings of subsidiaries and subject to interest at rates ranging from 2.93% to 5.69% (2021: 1.15% to 3.99%) per annum (Notes 6, 7 and 8).

22. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Trade					
Trade payables	(a)	20,905,294	22,597,039	-	-
Non-trade					
Other payables	(b)	6,512,302	6,203,738	35,371	28,302
Accruals		17,231,692	11,225,762	153,624	344,679
Amount due to a subsidiary	(c)	-	-	43,174	-
		23,743,994	17,429,500	232,169	372,981
		44,649,288	40,026,539	232,169	372,981

(a) Trade payables

- (i) Credit terms of trade payables are ranging from 30 to 60 days (2021: 30 to 60 days).
- (ii) Included in trade payables of the Group is an amount of RM281,965 (2021: RM222,542) due to companies in which certain directors have interests.

(b) Other payables

In 2021, included in other payables of RM343,896 is an amount due to a corporate shareholder of a subsidiary.

(c) Amount due to a subsidiary

Amount due to a subsidiary is unsecured, interest free and repayable on demand.

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As at 31 December 2022

23. REVENUE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Revenue from contracts with customers	293,231,119	251,769,749	-	-
Others				
- dividends	-	-	14,811,593	22,710,593
	293,231,119	251,769,749	14,811,593	22,710,593
Revenue from contracts with customers in primary geographical markets				
Malaysia	132,782,000	121,582,314	14,811,593	22,710,593
North America	65,351,884	53,881,626	-	-
Rest of Asia	49,793,980	45,197,903	-	-
Europe	30,180,269	20,618,766	-	-
Oceania	13,850,829	9,713,375	-	-
Africa	1,272,157	775,765	-	-
	293,231,119	251,769,749	14,811,593	22,710,593
Timing of recognition				
At a point in time	293,231,119	251,769,749	14,811,593	22,710,593

Nature of goods	Timing of recognition	Significant payment terms	Variable element in consideration	Obligation for returns or refund	Warranty
Frozen food products	Revenue is recognised upon transfer of significant risk and reward of ownership of the goods to the customer	Local sales: Credit period of 30 to 90 days from invoice date Export sales: Telegraphic transfer at sight and telegraphic transfer 90 days from bill of lading date	Not applicable	Not applicable	Not applicable
Rental of property	Revenue is recognised based on the consideration specified in a rental agreement with tenant	On or before 10 th of each calendar month	Not applicable	Upon expiry of rental agreement, security deposit is refundable after deduct unpaid rent, repairs for damage other than normal wear and tear or earlier termination by any party	Not applicable

Notes to the Financial Statements

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24. OTHER INCOME

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Gain on foreign exchange:				
– realised	4,144,350	850	-	-
– unrealised	725,768	2,121,473	1,413,758	918,453
Rental income	4,530,025	3,153,119	-	-
Other income	1,717,348	1,558,663	-	-
	11,117,491	6,834,105	1,413,758	918,453

25. FINANCE INCOME

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Interest income of financial assets calculated using the effective interest method that are at fair value through profit or loss:				
– money market funds with licensed fund management companies	890,846	957,787	63,306	57,115

26. FINANCE COSTS

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
– term loans, secured	168,681	416,345	-	-
– other bank charges	143,642	200,932	7,745	175
	312,323	617,277	7,745	175

Notes to the Financial Statements

As at 31 December 2022

27. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging/(crediting):

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Auditor's remuneration:				
- audit fees	301,000	280,200	55,000	50,000
- non-audit fees	8,000	10,000	8,000	7,000
Bad debts written off	187,249	1,991	-	-
Depreciation of investment properties	145,839	148,969	-	-
Depreciation of property, plant and equipment	18,749,314	18,051,273	-	-
Depreciation of right-of-use assets	340,513	351,995	-	-
Employees' share option scheme expenses	31,350	479,749	-	-
Fair value loss/(gain) on financial assets	95,279	(405,444)	-	-
Impairment loss on trade receivables:				
- individual impairment loss	856,822	78,840	-	-
- collective impairment loss	208,555	23,448	-	-
Inventories written off	435,645	491,405	-	-
Personnel expenses (including key management personnel):				
- wages, salaries and others	41,306,189	30,516,078	54,000	52,500
- contributions to state plans	3,621,283	2,927,368	-	-
Property, plant and equipment written off	18,494	-	-	-
Provision for slow moving inventories	243,884	-	-	-
Rental expenses (#) in respect of:				
- coldroom	49,886	102,377	-	-
- storage	35,257	64,355	-	-
- hostel	187,570	160,180	-	-
Loss on foreign exchange:				
- realised	330	941,318	330	1,585
Gain on disposal of property, plant and equipment	(43,493)	(25,303)	-	-
Gain on disposal of other investments	-	(465,238)	-	-
Provision for slow moving inventories no longer required	(109,167)	(208,376)	-	-
Reversal of impairment loss on trade receivables:				
- individual impairment loss	(74,206)	(30,361)	-	-
- collective impairment loss	-	(23,064)	-	-
Gain on foreign exchange:				
- unrealised	(725,768)	(377,593)	(1,413,758)	(918,453)
- realised	(4,144,350)	(850)	-	-
Rental income from:				
- investment properties	(1,618,080)	(871,900)	-	-
- office and factory	(489,074)	(448,111)	-	-
- coldroom	(2,422,871)	(1,833,108)	-	-
- hostel	(124,212)	(109,100)	-	-

For short-term leases with lease term of 12 months or less and for leases of low value assets of less than RM21,000, the Group has availed the exemption in MFRS 16 not to recognise the right-of-use assets and lease liabilities. Instead, payments made for these leases are recognised as expense when incurred.

Notes to the Financial Statements

As at 31 December 2022

28. TAXATION

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Current tax				
Malaysia				
- current	2,975,218	1,308,502	-	-
- over provision in prior financial years	(361,732)	(1,026,740)	-	-
Overseas				
- current	-	169,494	-	-
- over provision in prior financial years	(31,813)	-	-	-
	2,581,673	451,256	-	-
Deferred tax				
- original and reversal of temporary differences	(3,154,580)	4,428,272	-	-
- under/(over) provision in prior financial years	2,239,179	(8,353)	-	-
	(915,401)	4,419,919	-	-
Total tax expense	1,666,272	4,871,175	-	-

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	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit before taxation	40,144,010	36,656,041	14,834,778	21,945,818
Income tax calculated using Malaysian tax rate of 24% (2021: 24%)	9,634,563	8,797,450	3,560,347	5,266,996
Tax effects in respect of:				
Effect of tax rate in foreign jurisdiction	-	38,089	-	-
Non-deductible expenses	1,465,008	1,137,565	348,931	533,994
Non-taxable income	(371,315)	(361,336)	(339,302)	(314,660)
Tax exempt income	(90,125)	(669,580)	(3,569,976)	(5,486,330)
Recognition of reinvestment allowance incentive previously not recognised	(4,320,000)	-	-	-
Reinvestment allowance incentive	(5,481,838)	(2,610,025)	-	-
Double deduction on qualifying expenditure	(1,070,106)	(568,345)	-	-
Deferred tax assets not recognised	840	-	-	-
Effect of deferred tax assets not recognised	56,206	46,029	-	-
Others	(2,595)	96,421	-	-
	(179,362)	5,906,268	-	-
(Over)/Under provision:				
- current tax	(393,545)	(1,026,740)	-	-
- deferred tax	2,239,179	(8,353)	-	-
	1,666,272	4,871,175	-	-

Notes to the Financial Statements

As at 31 December 2022

29. OTHER COMPREHENSIVE EXPENSE

	Group	
	2022 RM	2021 RM
Foreign currency translation gain for foreign operations during the financial year	(2,635,233)	1,855,636
Less: Tax expense	(55)	(35)
Net of tax	(2,635,288)	1,855,601

30. EARNINGS PER ORDINARY SHARE**Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share at 31 December 2022 was based on the profit attributable to owners of the Company of RM38,498,719 (2021: RM31,785,088) and a weighted average number of ordinary shares outstanding of 359,956,028 (2021: 359,519,760).

Diluted earnings per ordinary share

As at 31 December 2022, there is no diluted earnings per ordinary share as the Company does not has any dilutive ordinary shares.

The calculation of diluted earnings per ordinary share at 31 December 2021 was based on the profit attributable to owners of the Company of RM31,785,088 and a weighted average number of ordinary shares outstanding of 359,915,533 after adjustment for the effect of dilutive potential ordinary shares relating to Employees' Share Option Scheme ("ESOS").

31. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM	Date of payment
2022			
Interim 2022 ordinary – single tier	3.0	10,768,982	30 March 2022
2021			
Interim 2021 ordinary – single tier	3.0	10,785,593	30 March 2021

In respect of the financial year ending 31 December 2023, the Company declared and paid an interim single tier dividend of 3.6 sen per ordinary share totalling RM13,021,188 on 31 March 2023.

Notes to the Financial Statements

As at 31 December 2022

32. OPERATING SEGMENTS

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

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 managed separately because they require different marketing strategies. For each of the strategic business units, the Chief Executive Officer (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 and depreciation, as included in the internal management reports that are reviewed by Chief Executive Officer, 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 Chief Executive Officer. 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 Chief Executive Officer. 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.

	Manufacturing and trading	
	2022 RM	2021 RM
Group		
Reporting segment profit	74,530,477	75,945,869
Included in the measure of segment profit are:		
– revenue from external customers	293,231,119	251,769,749
– inter-company revenue	161,381,152	139,588,262
Not included in the measure of reporting segment profit but provided to Chief Executive Officer:		
– depreciation	(19,235,666)	(18,552,237)
– finance costs	(312,323)	(617,277)
– finance income	890,846	957,787
– income tax expense	(1,666,272)	(4,871,175)
Segment assets		
Included in the measure of segment assets are:		
– additions to non-current assets other than financial instruments and deferred tax assets	9,677,916	9,773,701

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As at 31 December 2022

32. OPERATING SEGMENTS (CONTINUED)

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

	Group	
	2022 RM	2021 RM
Profit or loss		
Total profit or loss for reportable segments	74,530,477	75,945,869
Elimination of inter-segment profits	(15,729,324)	(21,078,101)
Depreciation	(19,235,666)	(18,552,237)
Finance income	890,846	957,787
Finance costs	(312,323)	(617,277)
Consolidated profit before tax	40,144,010	36,656,041

	External revenue RM	Depreciation RM	Finance costs RM	Finance costs RM	Segment assets RM
2022					
Total reportable segments	454,612,271	(19,235,666)	(312,323)	890,846	799,705,404
Elimination of inter-segment transactions or balances	(161,381,152)	-	-	-	(338,895,022)
Consolidated	293,231,119	(19,235,666)	(312,323)	890,846	460,810,382
2021					
Total reportable segments	391,358,011	(18,552,237)	(617,277)	957,787	696,950,548
Elimination of inter-segment transactions or balances	(139,588,262)	-	-	-	(261,993,381)
Consolidated	251,769,749	(18,552,237)	(617,277)	957,787	434,957,167

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.

Geographical information

The geographical information is shown in Note 23.

Major customer

The Group has one (2021: one) major customer contributing approximately 13% (2021: 12%) revenue of the Group's total revenue.

Notes to the Financial Statements

As at 31 December 2022

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments of the Group and of the Company are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Assets				
<i>Financial assets at amortised cost</i>				
- Other investments	-	-	122,000,000	122,000,000
- Trade and other receivables	72,547,213	55,949,928	10,656,204	4,081,031
- Cash and cash equivalents	44,121,393	25,695,248	8,213,846	9,776,564
	116,668,606	81,645,176	140,870,050	135,857,595
<i>Financial assets at fair value through profit or loss</i>				
- Other investments	2,799,036	2,894,315	-	-
- Short-term investments	54,460,269	62,905,337	2,012,087	2,220,257
	57,259,305	65,799,652	2,012,087	2,220,257
Liabilities				
<i>Financial liabilities at amortised cost</i>				
- Loans and borrowings	6,398,772	12,118,561	-	-
- Trade and other payables	44,649,288	40,026,539	232,169	372,981
	51,048,060	52,145,100	232,169	372,981

(b) Net (losses)/gains arising from financial instruments

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Net (losses)/ gains on:				
Financial instruments at fair value through profit or loss				
Other investments				
- recognised in profit or loss	(95,279)	870,682	-	-
Short-term investments				
- recognised in profit or loss	890,846	957,787	63,306	57,115
	795,567	1,828,469	63,306	57,115

Notes to the Financial Statements

As at 31 December 2022

34. FINANCIAL RISK MANAGEMENT

The Group and the Company have exposure to the following risks from its use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

(a) 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.

(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 the Company are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables is credit impaired.

The gross carrying amount of credit impaired trade receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to write off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

At the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement 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.

For each receivable, the lifetime Expected Credit Loss ("ECL") is recognised using the probability of default technique. The inputs used are: (i) the percent chance of default, and (ii) the expected cash shortfalls. The lifetime ECL is measured at the probability-weighted expected cash shortfalls by reference to the Group's past experience, current conditions and forecast of future economic benefits.

Notes to the Financial Statements

As at 31 December 2022

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Receivables (continued)

Concentration of credit risk

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

	Group	
	2022 RM	2021 RM
Malaysia	27,814,311	24,276,789
North America	19,921,693	14,955,951
Europe	8,369,442	5,721,146
Rest of Asia	7,564,055	7,742,387
Oceania	2,554,121	2,281,643
Africa	130,807	500,502
	66,354,429	55,478,418

At the end of the reporting period, the Group has no significant concentration of credit risk except for the amount due from one customer (2021: one customer) representing 15% (2021: 14%) of total trade receivables of the Group. The Group does 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 analysis of trade receivables as at the end of the reporting period was:

	Gross amount RM	Individual impairment RM	Collective impairment RM	Effect of movements in exchange rates RM	Net amount RM
Group					
2022					
Not past due	43,681,223	-	(63,558)	(2,063)	43,615,602
Past due 1-30 days	10,154,083	-	(49,371)	(2,254)	10,102,458
Past due 31-90 days	8,167,745	-	(98,468)	(5,116)	8,064,161
Past due more than 90 days	5,936,200	(1,195,814)	(161,691)	(6,487)	4,572,208
Total past due	24,258,028	(1,195,814)	(309,530)	(13,857)	22,738,827
	67,939,251	(1,195,814)	(373,088)	(15,920)	66,354,429
2021					
Not past due	42,209,560	-	(86,881)	(24,692)	42,097,987
Past due 1-30 days	8,347,607	-	(36,679)	7,927	8,318,855
Past due 31-90 days	3,511,040	-	(23,453)	19,268	3,506,855
Past due more than 90 days	2,015,787	(413,198)	(17,520)	(30,348)	1,554,721
Total past due	13,874,434	(413,198)	(77,652)	(3,153)	13,380,431
	56,083,994	(413,198)	(164,533)	(27,845)	55,478,418

Notes to the Financial Statements

As at 31 December 2022

34. FINANCIAL RISK MANAGEMENT (CONTINUED)**(a) 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 past repayment trends of these customers.

The allowance account is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The impairment loss as at end of reporting period was:

	Group	
	2022 RM	2021 RM
At 1 January	605,576	533,722
Impairment loss recognised:		
- Individual impairment loss	856,822	78,840
- Collective impairment loss	208,555	23,448
Impairment loss no longer required:		
- Individual impairment loss	(74,206)	(30,361)
- Collective impairment loss	-	(23,064)
Impairment loss written off on trade receivables:		
- Individual impairment loss	(67,269)	-
Effect of movements in exchange rates	55,344	22,991
At 31 December	1,584,822	605,576

(ii) Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risk. Consequently, the Group and the Company are of the view that the loss allowances is not material and hence, it is not provided for.

(iii) Financial guarantees***Risk management objectives, policies and processes for managing the risk***

The Group and the Company provide unsecured financial guarantees to third parties and banks in respect of banking facilities granted to subsidiaries.

Notes to the Financial Statements

As at 31 December 2022

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral

The table below summarised the maximum exposure to credit risk of the Group and of the Company as at the end of the reporting period:

	Group	
	2022 RM	2021 RM
Corporate guarantees to licensed banks for banking facilities granted to subsidiaries, representing the outstanding loan amounts of the subsidiaries (Note 21)	6,398,772	12,118,561
Corporate guarantees issued in favour of third parties	1,841,067	1,813,536
	8,239,839	13,932,097

	Company	
	2022 RM	2021 RM
Corporate guarantees to licensed banks for banking facilities granted to subsidiaries, representing the outstanding loan amounts of the subsidiaries (Note 21)	6,398,772	12,118,561

(iv) Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to its subsidiaries. The Company monitors the ability of the subsidiaries to repay advances on an individual basis.

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 amounts in the statement of financial position.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

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

Recognition and measurement of impairment losses

Generally, the Company considers advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advances to be credit impaired when:

- the subsidiary is unlikely to repay its advance to the Company in full;
- the subsidiary's advance is overdue for more than 365 days; or
- the subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

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

Notes to the Financial Statements

As at 31 December 2022

34. FINANCIAL RISK MANAGEMENT (CONTINUED)**(b) Liquidity risk**

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

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

Maturity analysis

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

	Carrying amount RM	Contractual interest rate RM	Contractual cash flows RM	Less than 1 year RM	1 - 2 years RM
2022					
Group					
<i>Non-derivative financial liabilities</i>					
Loans and borrowings	6,398,772	2.93% - 5.69%	6,440,777	6,440,777	-
Trade and other payables	44,649,288		44,649,288	44,649,288	-
	51,048,060		51,090,065	51,090,065	-
Financial guarantees* (Note 34(a)(iii))	-		1,841,067	1,841,067	-
Company					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	232,169		232,169	232,169	-
Financial guarantees* (Note 34(a)(iii))	-		6,398,772	6,398,772	-
	Carrying amount RM	Contractual interest rate RM	Contractual cash flows RM	Less than 1 year RM	1 - 2 years RM
2021					
Group					
<i>Non-derivative financial liabilities</i>					
Loans and borrowings	12,118,561	1.15% - 3.99%	12,325,389	10,182,153	2,143,236
Trade and other payables	40,026,539		40,026,539	40,026,539	-
	52,145,100		52,351,928	50,208,692	2,143,236
Financial guarantees* (Note 34(a)(iii))	-		1,813,536	1,813,536	-
Company					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	372,981		372,981	372,981	-
Financial guarantees* (Note 34(a)(iii))	-		12,118,561	12,118,561	-

* As at end of the reporting period, there was no indication that the subsidiaries would default on repayment. Hence, the financial guarantees have not been recognised. The disclosure represents the maximum amount that is required to be settled in the event of the triggering event.

Notes to the Financial Statements

As at 31 December 2022

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) 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 and the Company's financial position or cash flows.

(i) Currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases and cash and cash equivalents that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United Arab Emirates Dirham ("AED"), Euro ("EURO"), British Pound Sterling ("GBP"), Hong Kong Dollar ("HKD"), Renminbi ("RMB"), Singapore Dollar ("SGD"), United States Dollar ("USD") and Japanese Yen ("YEN").

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

	Denominated in							
	AED RM	EURO RM	GBP RM	HKD RM	RMB RM	SGD RM	USD RM	YEN RM
2022								
Group								
Trade and other receivables	-	-	-	-	754	1,086,772	1,243,458	-
Cash and cash equivalents	-	29,117	-	267,523	73,248	2,173,338	15,492,775	-
Trade and other payables	-	(1)	(8,140)	-	(51,693)	(1,228,967)	(20,365,699)	-
	-	29,116	(8,140)	267,523	22,309	2,031,143	(3,629,466)	-
Company								
Cash and cash equivalents	-	-	-	-	-	-	1,395,650	-
2021								
Group								
Trade and other receivables	-	103,306	-	-	781	1,358,232	2,251,936	-
Cash and cash equivalents	-	28,918	-	-	1,313,385	2,208,158	12,631,882	-
Trade and other payables	(6,363)	-	(48,330)	-	(3,815)	(1,271,886)	(12,170,196)	(2,692)
	(6,363)	132,224	(48,330)	-	1,310,351	2,294,504	2,713,622	(2,692)
Company								
Cash and cash equivalents	-	-	-	-	-	-	9,650,993	-

Notes to the Financial Statements

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34. FINANCIAL RISK MANAGEMENT (CONTINUED)**(c) Market risk (continued)****(i) Currency risk (continued)*****Currency risk sensitivity analysis***

A 10% (2021: 10%) strengthening of the following currencies against the Ringgit Malaysia ("RM") at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant.

	Group Profit or loss		Company Profit or loss	
	2022 RM	2021 RM	2022 RM	2021 RM
AED	-	(484)	-	-
EURO	2,213	10,049	-	-
GBP	(619)	(3,673)	-	-
HKD	20,332	-	-	-
RMB	1,695	99,587	-	-
SGD	154,368	174,382	-	-
USD	(275,839)	206,235	106,069	733,475
YEN	-	(205)	-	-
	(97,850)	485,891	106,069	733,475

A 10% (2021: 10%) weakening of the above currencies against the Ringgit Malaysia at the end of the reporting period would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(ii) Interest rate risk

The Group's fixed rate deposits and 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 and the Company'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.

Notes to the Financial Statements

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34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) 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 amounts as at the end of the reporting period were:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Floating rate instruments				
Financial assets	54,460,269	62,905,337	2,012,087	2,220,257
Financial liabilities	(6,398,772)	(12,118,561)	-	-

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. 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

	Group Profit or loss		Company Profit or loss	
	100 bp increase RM	100 bp decrease RM	100 bp increase RM	100 bp decrease RM
2022				
Financial assets	413,898	(413,898)	15,292	(15,292)
Financial liabilities	(48,631)	48,631	-	-
2021				
Financial assets	478,081	(478,081)	16,874	(16,874)
Financial liabilities	(92,101)	92,101	-	-

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/ (decreased) post-tax profit or loss by the amounts shown above. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Notes to the Financial Statements

As at 31 December 2022

34. FINANCIAL RISK MANAGEMENT (CONTINUED)**(c) Market risk (continued)****(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 are 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 through profit or loss. These securities are listed in Malaysia. The Group and the Company are not exposed to commodity price risk. To manage its price risk arising from investments in equity, the Group and the Company diversify their portfolio.

A 5% (2021: 5%) decrease in share price at the end of the reporting period would have decreased profit by RM139,952 (2021: RM144,716) for quoted investments classified as fair value through profit or loss. A 5% (2021: 5%) increased in share price would have had equal but opposite effect on equity and profit respectively.

(d) Fair value of financial instruments**(i) 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, and 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.

(ii) Financial assets and liabilities measured at fair value

	Level 1 RM	Level 2 RM	Level 3 RM
2022			
Group			
Financial assets			
Investment in shares quoted in Malaysia	2,799,036	-	-
Short-term investments	53,899,555	-	-
Company			
Financial asset			
Short-term investments	1,810,259	-	-
2021			
Group			
Financial assets			
Investment in shares quoted in Malaysia	2,894,315	-	-
Short-term investments	62,587,727	-	-
Company			
Financial asset			
Short-term investments	2,061,210	-	-

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.

Notes to the Financial Statements

As at 31 December 2022

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

(iii) Policy of transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2021: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Valuation processes applied by the Group and the Company for Level 3 fair value

The Group and the Company use discounted cash flows in respect of the measurement of fair values of financial instruments. The management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Notes to the Financial Statements

As at 31 December 2022

35. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a capital base adequate to 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 are determined 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	
	2022 RM	2021 RM
Loans and borrowings	6,398,772	12,118,561
Trade and other payables	44,649,288	40,026,539
	51,048,060	52,145,100
Less: Cash and cash equivalents	(98,581,662)	(88,600,585)
Net debt	(47,533,602)	(36,455,485)
Equity attributable to owners of the Company (excluding treasury shares)	398,213,253	368,343,850
Debt-to-equity ratio	-	-

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 are not subject to any externally imposed capital requirement.

36. CAPITAL COMMITMENTS

	Group	
	2022 RM	2021 RM
Capital expenditure commitments		
Property, plant and equipment		
Authorised but not contracted for	16,507,000	28,691,000
Contracted but not provided for:		
Within one year	2,651,110	3,234,618

Notes to the Financial Statements

As at 31 December 2022

37. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by the directors of the Group and of the Company during the financial year are as follows:

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Executive directors					
Fees		340,000	340,000	340,000	340,000
Salaries and bonuses		2,841,884	3,001,333	-	-
Defined contribution benefits		330,480	343,357	-	-
Benefits-in-kind		49,350	56,850	-	-
Meeting allowances	(a)	54,000	52,500	54,000	52,500
		3,615,714	3,794,040	394,000	392,500
Non-executive directors					
Fees		415,000	415,000	415,000	415,000
Meeting allowances	(a)	108,000	92,002	108,000	92,002
		523,000	507,002	523,000	507,002
		4,138,714	4,301,042	917,000	899,502

The number of directors of the Company whose income falls within the following bands are:

	Executive directors		Non-executive directors	
	2022 RM	2021 RM	2022 RM	2021 RM
RM150,000 and below	1	-	3	3
RM151,001 to RM200,000	-	-	1	1
RM200,001 to RM500,000	-	1	-	-
RM500,001 to RM1,000,000	2	2	-	-
RM1,000,001 and above	1	1	-	-
Total	4	4	4	4

(a) Meeting allowances vary from one director to another, depending on the number of committees they sit on and the number of meetings attended during the financial year.

Notes to the Financial Statements

As at 31 December 2022

38. 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 of the 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:
 - (i) 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).
 - (ii) 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).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third party and the other entity is an associate of the third party.
 - (v) 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.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) 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).
 - (viii) 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 of the Company are shown below. The balances related to the transactions below are shown in Notes 15 and 22.

Notes to the Financial Statements

As at 31 December 2022

38. RELATED PARTIES (CONTINUED)

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Subsidiaries				
Dividends income from investment in subsidiaries	-	-	10,785,593	19,111,593
Dividends income from other investments	-	-	4,026,000	3,599,000
Other related party transactions				
<i>Companies in which directors of the Company have interest:</i>				
Sales of goods	31,135,263	17,210,636	-	-
<i>Companies in which persons related to directors of the Company have interest:</i>				
Sales of goods	1,801,001	1,219,003	-	-
Purchase of goods	1,152,599	1,463,691	-	-
Rental of office	385,160	331,200	-	-
Rental of coldroom	-	3,216	-	-
Rental of plant and machineries	110,773	110,773	-	-
Professional fees	-	92,066	-	-
Provision of transportation service	70,764	27,164	-	-
Plaster ceiling and partition works	11,530	-	-	-
Key management personnel				
<i>Executive directors:</i>				
- fees	340,000	340,000	340,000	340,000
- remuneration	2,841,884	3,001,333	-	-
- defined contribution plans	330,480	343,357	-	-
- benefits-in-kind	49,350	56,850	-	-
- meeting allowances	54,000	52,500	54,000	52,500
	3,615,714	3,794,040	394,000	392,500
<i>Other key management personnel:</i>				
- short-term employee benefits	2,964,670	5,339,809	-	-
- defined contribution plans	325,455	582,765	-	-
- benefits-in-kind	121,150	13,900	-	-
	3,411,275	5,936,474	-	-
Total compensation paid to key management personnel	7,026,989	9,730,514	394,000	392,500

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.

Notes to the Financial Statements

As at 31 December 2022

39. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 21 April 2022, the Group has entered into a Sales and Purchase Agreement ("SPA") with a third party to acquire five (5) parcels of vacant leasehold industrial lands with a total purchase price of RM50,458,233. Upon execution of the SPA, the Group paid a total deposit of RM6,218,217 to the third party on 22 April 2022.

On 16 December 2022, the Group and the third party had mutually agreed in writing to terminate the SPA due to the third party unable to fulfil the terms stipulated in the SPA.

As of reporting date, the deposit remained unpaid and is expected to be collected by end of May 2023.

40. OTHER INFORMATION

(a) The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

(b) The registered office of the Company is located at:

12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor

(c) The principal place of business of the Company is located at:

Lot 129351, Jalan Sungai Pinang 4/19
Taman Perindustrian Pulau Indah
Selangor Halal Hub, Fasa 2C
42920 Pulau Indah
Selangor Darul Ehsan

(d) The financial statements are expressed in Ringgit Malaysia, which is also the Group's and the Company's functional currency.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 17 April 2023.

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being two of the directors of **KAWAN FOOD BERHAD (Registration No. 200401001942 (640445-V))** do hereby state that, in the opinion of the directors, the financial statements set out on pages 104 to 171 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2022 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

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

GAN THIAM CHAI

Director

Selangor

17 April 2023

GAN THIAM HOCK

Director

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **LEE FUI MENG**, being the officer primarily responsible for the financial management of **KAWAN FOOD BERHAD (Registration No. 200401001942 (640445-V))** do solemnly and sincerely declare that the financial statements set out on pages 104 to 171 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

LEE FUI MENG

(MIA no. 31056)

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on 17 April 2023

Before me

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 2022 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 104 to 171.

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 2022, 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 2016 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 *Auditors' 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, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial 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.

Key audit matter	How our audit addressed the key audit matter
<p><u>Revenue recognition</u></p> <p>Refer to Note 23 – Revenue</p> <p>Revenue recognition is a presumed fraud risk as the Group may be under pressure by external parties (i.e. expectations by shareholders and market analysts) and internal parties (i.e. performance of management). This may lead to potential misstatement of revenue.</p>	<p><u>The details of our work performed are as follows:</u></p> <ul style="list-style-type: none"> • We assessed and evaluated the appropriateness of the design and implementation of controls over revenue cycle with no exception noted. • We performed test of operating effectiveness on the relevant controls identified within the revenue cycle with no exception noted. • We performed substantive testing to verify revenue transactions to respective sales invoices, bill of lading and acknowledged delivery orders that evidenced the transfer of risks and rewards of ownership of the goods to customers based on selected samples. • We verified the credit notes and sales returns issued subsequent to the year-end date to ascertain whether revenue was recognised in the correct financial period. • We assessed cut-off procedures implemented by management to verify revenue transactions pre and post year-end date and agreed the sales invoices, bill of lading and acknowledged delivery orders that evidenced the transfer of risks and rewards of ownership of goods and confirm that these transactions were recognised in the correct financial periods.

Independent Auditors' Report

To the Members of KAWAN FOOD BERHAD

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 Directors' report and Statement on Risk and Management Internal Controls included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

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.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

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 2016 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.

Auditors' 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 auditors' 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 part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism 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 of the Company's internal control.

Independent Auditors' Report

To the Members of KAWAN FOOD BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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 auditors' 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 auditors' 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 the 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 the 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, actions taken to eliminate threats or safeguards applied.

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 financial 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 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

RSM Malaysia PLT
202206000002 (LLP0030276-LCA) & AF 0768
Chartered Accountants

Kuala Lumpur

17 April 2023

Yeoh Kian Teck
03322/08/2023 J
Chartered Accountant

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	Factory cum office	Leasehold interest for a term of 99 years expiring on 24 February 2097	5 years	12 October 2011	63,079.9 sq. metres/ 49,404.82 sq. metres	18 May 2018	97,998,555
* 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	Factory cum office	Leasehold interest for a term of 99 years expiring on 6 August 2074	43 year	28 May 2004	7,337.24 sq. metres/ 6,417.91 sq. metres	23 May 2007	4,587,475
* 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	Factory cum office	Leasehold interest for a term of 99 years expiring on 20 July 2094	33 years	28 June 1999	4,484 sq. metres/ 3,149.43 sq. metres	24 September 1990	1,533,226
* 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	Factory cum office	Leasehold interest for a term of 99 years expiring on 20 July 2094	33 years	25 May 2005	21,796 sq. metres/ 3,584.91 sq. metres	7 May 1990	6,314,703
* Parcel No. 2F-41C with address at 41C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	23 years	16 May 2003	67.85 sq. metres	27 March 2003	39,520
Held under Master Title H.S. (D) 56067 PT 59174 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan							
* Parcel No. 2B-41D with address at 41D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	23 years	29 July 2003	67.85 sq. metres	27 March 2003	36,767
Held under Master Title H.S. (D) 56067 PT 59174 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan							

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
* 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 the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	23 years	16 May 2003	67.85 sq. metres	27 March 2003	39,520
* 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 the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	23 years	29 July 2003	67.85 sq. metres	27 March 2003	36,767
* 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 the Mukim Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	22 years	21 February 2001	69.52 sq. metres	26 October 2004	34,895
* 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 the Mukim Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	22 years	21 February 2001	69.52 sq. metres	26 October 2004	34,895
* 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 the Mukim Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	22 years	21 February 2001	69.52 sq. metres	26 October 2004	34,895

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
* 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	Shop apartment occupied as staff hostel	Freehold	22 years	21 February 2001	69.52 sq. metres	26 October 2004	34,895
Held under Strata Title H.S. (D) 67207 Lot No. P.T. No. 65652 in the Mukim Klang, District of Klang, State of Selangor Darul Ehsan							
* 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	Shop apartment occupied as staff hostel	Freehold	22 years	21 February 2001	69.52 sq. metres	26 October 2004	34,895
Held under Strata Title H.S. (D) 67208 Lot No. P.T. No. 65663 in the Mukim Klang, District of Klang, State of Selangor darul Ehsan							
** Industrial Land at 13, Kexing Road North, Nantong Economic & Technology Development Area ("NETDA"), China	Factory cum office	Leasehold interest for a term of 50 years expiring on 25 December 2056	13 years	26 December 2006	40,773.90 sq. metres/ 16,000 sq. metres	N/A	20,888,191
Held under Lot No. 03-10-(001)-338, Land Registry No. 35.45-92.10							

* Held under Kawan Food Manufacturing Sdn Bhd

** Held under Kawan Food (Nantong) Co., Ltd.

Analysis on Shareholdings

as per Record of Depositors as at 31 March 2023

Issued Share Capital	: 362,581,760 Ordinary Shares (including 822,100 Treasury Shares)
Class of Shares	: Ordinary Shares
Voting Rights	: One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholder	% of Shareholder	No. of Shares	% of Shares
Less than 100	352	8.36	6,169	0.00
100 – 1,000	1,514	35.96	743,615	0.21
1,001 – 10,000	1,650	39.19	7,012,212	1.94
10,001 – 100,000	526	12.49	16,349,970	4.52
100,001 to less than 5% of issued shares	164	3.90	137,963,207	38.14
5% and above of issued shares	4	0.10	199,624,487	55.19
Total	4,210	100.00	361,699,660	100.00

SUBSTANTIAL SHAREHOLDERS

as per Register of Substantial Shareholders as at 31 March 2023

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
1. Gan Thiam Chai	91,807,548	25.38	10,711,600 ⁽²⁾	2.96
2. Kwan Sok Kay	19,724,405	5.45	10,711,600 ⁽²⁾	2.96
3. Gan Thiam Hock	22,462,133	6.21	3,010,666 ⁽³⁾	0.83
4. Nareshchandra Gordhandas Nagrecha	3,250,000	0.90	73,751,200 ⁽⁴⁾	20.39
5. VG Trustee Limited (as Trustee of the Narvee F'dation)	73,751,200	20.39	–	–

⁽¹⁾ Based on the total number of issued shares of 361,699,660 Kawan Shares (excluding 882,100 Treasury Shares).

⁽²⁾ Deemed interested in the shares by virtue of Section 59 of the Companies Act 2016 ("Act"), held through his/her children, namely Gan Ka Hui and Gan Ka Ooi who holds 4,700,300 and 6,011,300 ordinary shares respectively, representing a total of 2.96% in the shareholdings of the Company.

⁽³⁾ Deemed interested in the shares by virtue of Section 59 of the Act, held through his children, namely Gan Meng Hoi, Gan Meng Yeow, Gan Meng Hoo and Gan Kha Yee who holds 444,000, 344,000, 344,300 and 344,000 ordinary shares respectively and his spouse, Lam Saw Kuan who holds 1,534,366 ordinary shares representing a total of 0.83% in the shareholdings of the Company.

⁽⁴⁾ Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Narvee F'dation.

Analysis on Shareholdings

as per Record of Depositors as at 31 March 2023

DIRECTORS' SHAREHOLDINGS

as per Register of Directors' shareholdings as at 31 March 2023

Name of Directors	Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
1. Gan Thiam Chai	91,807,548	25.38	10,711,600 ⁽²⁾	2.96
2. Kwan Sok Kay	19,724,405	5.45	10,711,600 ⁽²⁾	2.96
3. Gan Thiam Hock	22,462,133	6.21	3,010,666 ⁽³⁾	0.83
4. Gan Ka Bien	4,013,849	1.11	-	-
5. Lim Hun Soon @ David Lim	7,637,028	2.11	-	-
6. Abdul Razak Bin Shakor	-	-	-	-
7. Dr Nik Ismail Bin Nik Daud	-	-	-	-
8. Eugene Hon Kah Weng	-	-	-	-

⁽¹⁾ Based on the total number of issued shares of 361,699,660 Kawan Shares (excluding 882,100 Treasury Shares).

⁽²⁾ Deemed interested in the shares by virtue of Section 59 of the Act, held through his/her children, namely Gan Ka Hui and Gan Ka Ooi who holds 4,700,300 and 6,011,300 ordinary shares respectively, representing a total of 2.96% in the shareholdings of the Company.

⁽³⁾ Deemed interested in the shares by virtue of Section 59 of the Act, held through his children, namely Gan Meng Hoi, Gan Meng Yeow, Gan Meng Hoo and Gan Kha Yee who holds 444,000, 344,000, 344,300 and 344,000 ordinary shares respectively and his spouse, Lam Saw Kuan who holds 1,534,366 ordinary shares representing a total of 0.83% in the shareholdings of the Company.

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

as at 31 March 2023

No. Name of Shareholders	No. of Shares	%
1. Gan Thiam Chai	84,115,282	23.26
2. Maybank Securities Nominees (Asing) Sdn Bhd Exempt AN For VG Trustee Limited (Narvee F'dation)	73,751,200	20.39
3. Gan Thiam Hock	22,033,600	6.09
4. Kwan Sok Kay	19,724,405	5.45
5. Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Gan Thiam Chai (PB)	7,467,266	2.06
6. Lim Hun Soon @ David Lim	7,317,028	2.02
7. Gan Ka Ooi	6,011,300	1.66
8. Kong Poh Yin	5,834,100	1.61
9. Kumpulan Wang Persaraan (Diperbadankan)	4,707,933	1.30
10. Gan Ka Hui	4,700,300	1.30
11. HLIB Nominees (Asing) Sdn Bhd Hong Leong Bank Bhd for Wu Chung Chen	4,626,000	1.28
12. Amanahraya Trustees Berhad Public Strategic Smallcap Fund	4,311,700	1.19
13. Gan Ka Bien	4,013,849	1.11
14. Cartaban Nominees (Tempatan) Sdn Bhd Prudential Assurance Malaysia Berhad for Prulink Strategic Fund	3,667,400	1.01
15. Amanahraya Trustees Berhad PB Smallcap Growth Fund	3,376,766	0.93

Analysis on Shareholdings

as per Record of Depositors as at 31 March 2023

LIST OF THIRTY (30) LARGEST SHAREHOLDERS as at 31 March 2023

No.	Name of Shareholders	No. of Shares	%
16.	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt AN for UBS AG Singapore (Foreign)</i>	3,262,500	0.90
17.	Nareshchandra Gordhandas Nagrecha	3,250,000	0.90
18.	Amanahraya Trustees Berhad <i>Public Smallcap Fund</i>	3,015,100	0.83
19.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chen Tsai Tien</i>	2,792,466	0.77
20.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chiang Peter</i>	2,604,000	0.72
21.	Amanahraya Trustees Berhad <i>Public Islamic Opportunities Fund</i>	2,475,300	0.68
22.	Amanahraya Trustees Berhad <i>Public Islamic Growth Balanced Fund</i>	2,417,433	0.67
23.	Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Shah Kamal Kant Zaverchand</i>	2,168,382	0.60
24.	Maybank Nominees (Tempatan) Sdn Bhd <i>Etiqua Life Insurance Berhad (Prem Equity)</i>	2,112,600	0.58
25.	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yoong Kah Yin</i>	2,070,000	0.57
26.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Wu Chia Lung</i>	2,051,682	0.57
27.	Amanahraya Trustees Berhad <i>Public Select Treasures Equity Fund</i>	1,987,400	0.55
28.	Amanahraya Trustees Berhad <i>Public Islamic Emerging Opportunities Fund</i>	1,871,200	0.52
29.	Lam Saw Kuan	1,464,366	0.40
30.	Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad For Dana Makmur Pheim (211901)</i>	1,293,100	0.36
Total		290,493,658	80.28

Notice of the Nineteenth Annual General Meeting

Notice is hereby given that the Nineteenth Annual General Meeting ("19th AGM") of Kawan Food Berhad ("Kawan" or "the Company") will be held at Lot 129351, Jalan Sungai Pinang 4/19, Taman Perindustrian Pulau Indah, Selangor Halal Hub, Fasa 2C, 42920, Pulau Indah, Selangor Darul Ehsan, Malaysia on 21 June 2023, at 10.30 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

- | | |
|--|---|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors' and Auditors' thereon. | Please Refer To Explanatory Note 1 |
| 2. To approve the Directors' fees and benefits payable to the Directors of the Company of up to RM1,074,000.00 for the period from 22 June 2023 until the conclusion of the Twentieth AGM. | Ordinary Resolution 1 |
| 3. To re-elect the following Directors who are retiring under Clause 115(1) of the Constitution of the Company: | |
| (i) Gan Thiam Hock | Ordinary Resolution 2 |
| (ii) Kwan Sok Kay | Ordinary Resolution 3 |
| (iii) Dr Nik Ismail Bin Nik Daud | Ordinary Resolution 4 |
| 4. To re-appoint RSM Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

AS SPECIAL BUSINESS

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

- | | |
|--|------------------------------|
| 5. Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with the following related parties ("Proposed Renewal of Shareholders' Mandate"): | |
| (i) Shana Foods Limited and Rubicon Food Products Limited | Ordinary Resolution 6 |
| (ii) MH Delight Sdn Bhd | Ordinary Resolution 7 |
| (iii) Hot & Roll Sdn Bhd | Ordinary Resolution 8 |

(Collectively referred to as "Related Parties")

"**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 the above Related Parties as stated in Section 2.4 of the Circular to Shareholders dated 28 April 2023 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;

Notice of the Nineteenth Annual General Meeting

- (ii) the approval is subject to annual renewal and shall only continue to be in force until:
 - (a) the conclusion of the next AGM of the Company following the forthcoming AGM 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 AGM the mandate is again renewed;
 - (b) the expiration of the period within which the next AGM of the Company after the date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); 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."

6. Authority under Section 75 and 76 of the Act for the Directors to allot and issue shares.

"THAT pursuant to Section 75 and 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next AGM 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.

THAT pursuant to Section 85 of the Act, read together with Clause 64 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued Kawan shares arising from issuance of new shares pursuant to this Mandate.

AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid before the date of allotment of such new shares."

Ordinary Resolution 9

Notice of the Nineteenth Annual General Meeting

7. Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares.

“THAT subject to the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits as at 31 December 2022 to purchase such amount of ordinary shares in the Company (“Proposed Renewal of Share Buy-Back Authority”) as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company.

THAT an amount not exceeding the Company’s retained profits be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 127 of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them.

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:

- (i) the conclusion of the next AGM of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Share Buy-Back Authority as may be agreed or allowed by any relevant governmental and/or regulatory authority.”

Ordinary Resolution 10

8. Proposed Allocation of Employees’ Share Option Scheme (“ESOS”) Options to Gan Ka Bien.

“THAT subsequent to the approval for the establishment of an ESOS being obtained at the Extraordinary General Meeting (“EGM”) of the Company held on 31 May 2018, approval be and is hereby given to the Board of Directors of Kawan to authorise the ESOS Committee, at any time and from time to time throughout the duration of the ESOS, to offer and grant to Gan Ka Bien, the Executive Director of the Company, Options to subscribe for such number of new ordinary shares of Kawan (“Kawan Shares”) under the ESOS PROVIDED THAT:-

- (i) not more than ten percent (10%) of the new Kawan Shares available under the ESOS shall be allocated to any individual Eligible Person, who, either singly or collectively through persons connected with her, holds twenty percent (20%) or more of the issued share capital (excluding treasury shares, if any) of the Company;

Notice of the Nineteenth Annual General Meeting

- (ii) not more than eighty percent (80%) of the Options available under the ESOS shall be allocated, in aggregate to her, other Executive Directors and senior management of Kawan and its subsidiaries (excluding subsidiaries which are dormant);
- (iii) she must not be allowed to participate in the deliberation or discussion of her own allocation of ESOS Options to be issued to her under the ESOS;

AND subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS.

THAT pursuant to Section 85 of the Act, read together with Clause 64 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered such number of new Kawan Shares pursuant to the ESOS.

AND THAT the authority be further given to the Company to allot and issue such number of new Kawan Shares pursuant to the ESOS to Gan Ka Bien from time to time pursuant to the exercise of such ESOS Options."

Ordinary Resolution 11

9. Proposed Allocation of ESOS Options to Yeap Chee Keong.

"THAT subsequent to the approval for the establishment of an ESOS being obtained at the EGM of the Company held on 31 May 2018, approval be and is hereby given to the Board of Directors of Kawan to authorise the ESOS Committee, at any time and from time to time throughout the duration of the ESOS, to offer and grant to Yeap Chee Keong, the Chief Operating Officer and person connected to the Executive Director and substantial shareholder of the Company, Options to subscribe for such number of new Kawan Shares under the ESOS PROVIDED THAT:

- (i) not more than ten percent (10%) of the new Kawan Shares available under the ESOS shall be allocated to any individual Eligible Person, who, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the issued share capital (excluding treasury shares, if any) of the Company;
- (ii) not more than eighty percent (80%) of the Options available under the ESOS shall be allocated, in aggregate to him, other Executive Directors and senior management of Kawan and its subsidiaries (excluding subsidiaries which are dormant);
- (iii) he must not be allowed to participate in the deliberation or discussion of his own allocation of ESOS Options to be issued to him under the ESOS;

AND subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS.

THAT pursuant to Section 85 of the Act, read together with Clause 64 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered such number of new Kawan Shares pursuant to the ESOS.

AND THAT the authority be further given to the Company to allot and issue such number of new Kawan Shares pursuant to the ESOS to Yeap Chee Keong from time to time pursuant to the exercise of such ESOS Options."

Ordinary Resolution 12

Notice of the Nineteenth Annual General Meeting

10. Proposed Allocation of ESOS Options to Gan Meng Hoi.

“THAT subsequent to the approval for the establishment of an ESOS being obtained at the EGM of the Company held on 31 May 2018, approval be and is hereby given to the Board of Directors of Kawan to authorise the ESOS Committee, at any time and from time to time throughout the duration of the ESOS, to offer and grant to Gan Meng Hoi, the Head of National Sales and person connected to the Executive Director and substantial shareholder of the Company, Options to subscribe for such number of new Kawan Shares under the ESOS PROVIDED THAT:

- (i) not more than ten percent (10%) of the new Kawan Shares available under the ESOS shall be allocated to any individual Eligible Person, who, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the issued share capital (excluding treasury shares, if any) of the Company;
- (ii) not more than eighty percent (80%) of the Options available under the ESOS shall be allocated, in aggregate to him, other Executive Directors and senior management of Kawan and its subsidiaries (excluding subsidiaries which are dormant);
- (iii) he must not be allowed to participate in the deliberation or discussion of his own allocation of ESOS Options to be issued to him under the ESOS;

AND subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS.

THAT pursuant to Section 85 of the Act, read together with Clause 64 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered such number of new Kawan Shares pursuant to the ESOS.

AND THAT the authority be further given to the Company to allot and issue such number of new Kawan Shares pursuant to the ESOS to Gan Meng Hoi from time to time pursuant to the exercise of such ESOS Options.”

Ordinary Resolution 13

11. Proposed Allocation of ESOS Options to Gan Meng Hoo.

“THAT subsequent to the approval for the establishment of an ESOS being obtained at the EGM of the Company held on 31 May 2018, approval be and is hereby given to the Board of Directors of Kawan to authorise the ESOS Committee, at any time and from time to time throughout the duration of the ESOS, to offer and grant to Gan Meng Hoo, the Senior Sales Executive and person connected to the Executive Director and substantial shareholder of the Company, Options to subscribe for such number of new Kawan Shares under the ESOS PROVIDED THAT:

- (i) not more than ten percent (10%) of the new Kawan Shares available under the ESOS shall be allocated to any individual Eligible Person, who, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the issued share capital (excluding treasury shares, if any) of the Company;
- (ii) not more than eighty percent (80%) of the Options available under the ESOS shall be allocated, in aggregate to him, other Executive Directors and senior management of Kawan and its subsidiaries (excluding subsidiaries which are dormant);
- (iii) he must not be allowed to participate in the deliberation or discussion of his own allocation of ESOS Options to be issued to him under the ESOS;

AND subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS.

Notice of the Nineteenth Annual General Meeting

THAT pursuant to Section 85 of the Act, read together with Clause 64 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered such number of new Kawan Shares pursuant to the ESOS.

AND THAT the authority be further given to the Company to allot and issue such number of new Kawan Shares pursuant to the ESOS to Gan Meng Hoo from time to time pursuant to the exercise of such ESOS Options."

Ordinary Resolution 14

12. Proposed Allocation of ESOS Options to Gan Thiam Chuan.

"**THAT** subsequent to the approval for the establishment of an ESOS being obtained at the EGM of the Company held on 31 May 2018, approval be and is hereby given to the Board of Directors of Kawan to authorise the ESOS Committee, at any time and from time to time throughout the duration of the ESOS, to offer and grant to Gan Thiam Chuan, the Development Chef and person connected to the Executive Director and substantial shareholder of the Company, Options to subscribe for such number of new Kawan Shares under the ESOS PROVIDED THAT:

- (i) not more than ten percent (10%) of the new Kawan Shares available under the ESOS shall be allocated to any individual Eligible Person, who, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the issued share capital (excluding treasury shares, if any) of the Company;
- (ii) not more than eighty percent (80%) of the Options available under the ESOS shall be allocated, in aggregate to him, other Executive Directors and senior management of Kawan and its subsidiaries (excluding subsidiaries which are dormant);
- (iii) he must not be allowed to participate in the deliberation or discussion of his own allocation of ESOS Options to be issued to him under the ESOS;

AND subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS.

THAT pursuant to Section 85 of the Act, read together with Clause 64 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered such number of new Kawan Shares pursuant to the ESOS.

AND THAT the authority be further given to the Company to allot and issue such number of new Kawan Shares pursuant to the ESOS to Gan Thiam Chuan from time to time pursuant to the exercise of such ESOS Options."

Ordinary Resolution 15

13. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)
SSM PC No.: 202008001023

TAI YUEN LING (LS 0008513)
SSM PC No.: 202008001075

Company Secretaries
Selangor Darul Ehsan

Date: 28 April 2023

Notice of the Nineteenth Annual General Meeting

EXPLANATORY NOTES:

1. To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Act 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. Ordinary Resolutions 2, 3 & 4 – Re-election of Directors

Gan Thiam Hock, Kwan Sok Kay and Dr Nik Ismail Bin Nik Daud who retire in accordance with Clause 115(1) of the Constitution (collectively referred to as "Retiring Directors"), being eligible, have offered themselves for re-election.

For the purpose of determining the eligibility of the Retiring Directors to stand for re-election at this 19th AGM and in line with Practice 5.1 of the Malaysian Code on Corporate Governance 2021, the Nominating Committee ("NC") has reviewed and assessed each of the Retiring Directors from the annual assessment and evaluation of the Board, Board Committees, Independent Directors and individual Directors for the financial year under review.

The NC had recommended that, the re-election of the Retiring Directors to be based on the following:

- (i) satisfactory performance and have met Board's expectation in discharging their duties and responsibilities with due care and in a commendable manner;
- (ii) met the fit and proper criteria in discharging their roles as directors of the Company;
- (iii) level of independence demonstrated by the independent director; and
- (iv) their ability to act in the best interest of the Company in decision-making and developing the Group's business strategies.

The Board had endorsed the recommendation of the NC on the re-election of the Retiring Directors.

The profiles of the Retiring Directors are set out in the Board of Directors' Profile of the Annual Report 2022 of the Company.

3. Ordinary Resolutions 6, 7 & 8 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolutions 6, 7 & 8 proposed, if passed, will empower the Directors from the date of the 19th AGM, 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 AGM of the Company and subject always to provision (ii) of the resolution.

For further information on Ordinary Resolutions 6, 7 & 8 please refer to the Circular to Shareholders dated 28 April 2023 accompanying the Annual Report of the Company for the financial year ended 31 December 2022.

Notice of the Nineteenth Annual General Meeting

4. Ordinary Resolution 9 – Authority under Section 75 and 76 of the Act for the Directors to allot and issue shares

The Ordinary Resolution 9 proposed under item 6 of the Agenda seeks the shareholders' approval of a general mandate for issuance of shares by the Company under Section 75 and 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 issued share capital of the Company for purpose of funding the working capital or strategic development of the Group. 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 AGM.

At this juncture, there is no decision to issue new shares but the Directors consider it desirable to have the flexibility permitted to respond to market developments and to enable allotments to take place to finance business opportunities without making a pre-emptive offer to existing shareholders. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

The Company did not allot and issue any shares pursuant to the general mandate granted by the shareholders at the previous AGM.

5. Ordinary Resolution 10 – Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

The proposed Ordinary Resolution 10, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. The authority will, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company is required by law to be held.

For further information on Ordinary Resolution 10, please refer to the Statement to Shareholders dated 28 April 2023 accompanying the Annual Report of the Company for the financial year ended 31 December 2022.

6. Ordinary Resolutions 11, 12, 13, 14 & 15 – Proposed Allocations of ESOS Options to Gan Ka Bien, Yeap Chee Keong, Gan Meng Hoi, Gan Meng Hoo and Gan Thiam Chuan ("Proposed Allocations")

The proposed Ordinary Resolutions 11, 12, 13, 14 & 15 are made pursuant to Kawan ESOS which had been approved by the shareholders of the Company at the EGM held on 31 May 2018. The Company had on 20 March 2023 announced that Board has resolved to extend its existing ESOS, which is expiring on 1 October 2023, for another five (5) years from 2 October 2023 to 1 October 2028, in accordance with Clause 5.3 of the ESOS By-Laws.

The Proposed Ordinary Resolutions 11, 12, 13, 14 & 15 to approve the Proposed Allocations, subject always to such terms and conditions and/or any adjustments and/or variations which may be made in accordance with the provisions of the ESOS By-Laws.

Gan Ka Bien (daughter of Gan Thiam Chai and Kwan Sok Kay), Yeap Chee Keong (son-in-law of Gan Thiam Chai and Kwan Sok Kay), Gan Meng Hoi and Gan Meng Hoo (both are the sons of Gan Thiam Hock), and Gan Thiam Chuan (brother of Gan Thiam Chai, Gan Thiam Hock and brother-in-law of Kwan Sok Kay) are eligible to participate in the ESOS, and are therefore deemed interested to the extent of their Proposed Allocations under the ESOS. Accordingly, they have declared their interest in the Proposed Allocations and have abstained and will continue to abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolution pertaining to the Proposed Allocations to be tabled at this AGM. Gan Ka Bien, Yeap Chee Keong, Gan Meng Hoi, Gan Meng Hoo and Gan Thiam Chuan shall also ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolution approving the Proposed Allocations to be tabled at this AGM.

Save as disclosed above, none of the other Directors, major shareholders and/or persons connected to them have any interest, whether direct or indirect, in the Proposed Allocations.

Notice of the Nineteenth Annual General Meeting

Notes:

1. For the purpose of determining who shall be entitled to participate in this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 13 June 2023**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM.
2. A member entitled to participate in this AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
3. A Member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
5. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote.
 - a. **In hard copy form**
 In the case of an appointment made in hard copy form, the original proxy form must be deposited with the Share Registrar's office, Boardroom Share Registrars Sdn Bhd ("Boardroom") of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
 - b. **By electronic means**
 The proxy form can be electronically lodged with Boardroom via Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>. Please follow the procedures set out in the Administrative Details for such lodgement. Alternatively, the proxy form can be emailed to Boardroom at bsr.helpdesk@boardroomlimited.com.
6. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
7. Last date and time for lodging the proxy form is **Monday, 19 June 2023 at 10.30 a.m.**
8. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
9. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:
 - a. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - b. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - i. at least two (2) authorised officers, of whom one shall be a director; or
 - ii. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
10. Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in the notice of any general meeting will be put to vote by poll.

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.

Administrative Details

For the Nineteenth Annual General Meeting ("19th AGM") of Kawan Food Berhad

Day and Date : **Wednesday, 21 June 2023**

Time : **10.30 a.m.**

Meeting Venue : **Lot 129351, Jalan Sungai Pinang 4/19, Taman Perindustrian Pulau Indah, Selangor Halal Hub, Fasa 2C, 42920, Pulau Indah, Selangor Darul Ehsan, Malaysia**

Dear Valued Shareholders,

1. SAFETY MEASURES IN LIGHT OF THE COVID-19 PANDEMIC

- In transition to the endemic phase of Covid-19 and to safeguard the health and safety of shareholders, proxies and invited guests who will be attending the 19th AGM in person, are advised to sanitise their hands and wear a face mask before and throughout the AGM.

2. REGISTRATION

- Registration will start at **9.30 a.m.** at the Meeting Venue and will end at a time directed by the Chairman of the AGM.
- Please produce your original MyKad/Passport (for foreigners) at the registration counter for verification and registration.
- Please ensure to collect your MyKad/Passport thereafter.
- Please note that no person will be allowed to register on behalf of another person even with the original MyKad/Passport of that person.
- Upon completion of the registration process, you will be given an identification barcode wristband to enter the meeting hall. **Please be reminded that there will be no replacement in the event that you lose or misplace the barcode wristband.**
- Please vacate the registration area immediately after registration and proceed to the meeting hall.
- Please note that you will not be allowed to enter the meeting hall without wearing the barcode wristband.
- The registration counter will handle only verification of identity and registration. If you have any enquiries, please proceed to the Help Desk.

3. HELP DESK

- Please proceed to the Help Desk located in front of the Meeting Venue entrance for any clarification or enquiries.
- The Help Desk will also handle the revocation of proxy appointments.

4. ENTITLEMENT TO PARTICIPATE IN THE AGM

- Only members whose names appear on the Register of Members or General Meeting Record of Depositors as at **13 June 2023** will be entitled to attend, speak and vote at the AGM or appoint a proxy to attend, speak and vote on his/her behalf.

Administrative Details

For the Nineteenth Annual General Meeting ("19th AGM") of Kawan Food Berhad

5. ANNUAL REPORT 2022

- The Company's Annual Report 2022 is available at the websites of the Company, <https://kawanfood.com/> and Bursa Malaysia Securities Berhad, www.bursamalaysia.com.
- Printed copies will be available for collection on a first-come, first-served basis at the registration counter on the day of the AGM.
- If you wish to request a printed copy of the Annual Report 2022 prior to the AGM, please forward your request by completing the Request Form provided. However, we hope you would consider the environmental and sustainability concerns, and refrain from requesting a printed copy of the Annual Report 2022.

6. APPOINTMENT OF PROXY, CORPORATE SHAREHOLDERS, AUTHORISED NOMINEE AND EXEMPT AUTHORISED NOMINEE

- A member of the Company entitled to attend and vote at the AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
- A Member shall be entitled to appoint not more than two (2) proxies to exercise all or any of his/her rights to attend, speak and vote at the same AGM on his/her behalf. If you are unable to attend the AGM and wish to appoint a proxy/ attorney/ authorized representative to vote on your behalf, please submit your proxy form in accordance with the notes and instructions stated in the notice of AGM.

APPOINTMENT OF PROXY

- You may submit your original proxy form to the office of the Share Registrar of our Company, **Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.** or by email to bsr.helpdesk@boardroomlimited.com, not less than **forty-eight (48)** hours before the time appointed for the taking of the poll.
- The proxy form may also be lodged electronically via **Boardroom Smart Investor Portal ("BSIP")** at <https://investor.boardroomlimited.com>. For further information, kindly refer to **Table 1** below for proxy appointment via BSIP.

APPOINTMENT OF CORPORATE SHAREHOLDERS, AUTHORISED NOMINEE AND EXEMPT AUTHORISED NOMINEE

- For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at **11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.** The certificate of appointment of authorised representative should be executed in the following manner:
 - If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - at least two (2) authorised officers, of whom one shall be a director; or
 - any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
- You may write in to bsr.helpdesk@boardroomlimited.com by providing the name of member, CDS account number accompanied with the certificate of appointment of corporate representative or proxy form (as the case may be) to submit the request latest by **19 June 2023 at 10.30 a.m.**
- Please provide a copy of the corporate representative's or proxy's NRIC (front and back) or passport, as well as his/her email address.

Administrative Details

For the Nineteenth Annual General Meeting ("19th AGM") of Kawan Food Berhad

Table 1 – Proxy Appointment via BSIP:

<p>Step 1 – Register Online with BSIP (for first-time registration only)</p>	<p>Note: If you have already signed up with BSIP, you are not required to register again. You may proceed to Step 2.</p> <ul style="list-style-type: none"> • Access the website at https://investor.boardroomlimited.com. • Click "Register" to sign up as a user. • Complete registration with all the required information. Upload and attach a softcopy of your Identity Card ("NRIC") (front and back) or Passport. Click "Register". • You will receive an email from BSIP Online for email address verification. Click on "Verify Email Address" from the email received to continue with the registration. • Once your email address is verified, you will be re-directed to BSIP Online for verification of your mobile number. • Click on "Request OTP Code" and an OTP code will be sent to the registered mobile number. You will need to enter the OTP code and click "Enter" to complete the process. • Once your mobile number is verified, registration of your new BSIP account will be pending for final verification. • An email will be sent to you to inform the approval of your BSIP account within one (1) business day. Subsequently, you can log in at https://investor.boardroomlimited.com with the email address and password filled up by you during the registration to proceed.
<p>Step 2 – Appointment of Proxy</p>	<p>For Individual and Corporate holders</p> <ul style="list-style-type: none"> • Log in to https://investor.boardroomlimited.com using your user ID and password from Step 1 above. • Click "Meeting Event" and select from the list of companies "Kawan Food Berhad Nineteenth (19th) Annual General Meeting" and click "Enter". • Click "Submit eProxy form". • For Corporate holders, please select the companies (if you are representing more than 1 company). • Enter your CDS account number and the number of shares held. • Select your proxy – either the Chairman of the meeting or an individual named proxy(ies). • Read and accept the General Terms and Conditions and click "Next". • Enter the particulars of your proxy(ies) and click "Next". • Indicate your voting instructions – FOR or AGAINST or ABSTAIN. If you wish to have your proxy(ies) to act upon his/her discretion, please indicate DISCRETIONARY. • Review and confirm your proxy appointment. Click "Apply". Download or print the eProxy form as an acknowledgement. <p>For Authorised Nominee and Exempt Authorised Nominee</p> <ul style="list-style-type: none"> • Log in to https://investor.boardroomlimited.com using your user ID and password from Step 1 above. • Click "Meeting Event" and select from the list of companies "Kawan Food Berhad Nineteenth (19th) Annual General Meeting" and click "Enter". • Click "Submit eProxy form". • Select the nominee(s)/company(ies) that you represent. • Download the file format for "Submission of Proxy Form". • Prepare the file for appointment of proxy(ies) by inserting the required data. • Upload the duly completed proxy appointment file • Review and confirm your proxy appointment. • Download or print the eProxy form as an acknowledgement.

* If you wish to attend the AGM yourself, please do not submit any proxy form. You will not be allowed to attend the AGM together with a proxy appointed by you.

* If you have submitted your proxy form prior to the AGM and subsequently decided to attend the AGM yourself, please proceed to the Help Desk located in front of the Meeting Venue entrance to revoke the appointment of your proxy.

Administrative Details

For the Nineteenth Annual General Meeting ("19th AGM") of Kawan Food Berhad

7. POLL VOTING

- The voting will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. All resolutions set out in the Notice of the 19th AGM will be put to a vote by way of poll. A Poll Administrator will be appointed to conduct the polling process and Independent Scrutineers will be appointed to verify the results of the poll.

8. DOOR GIFT/FOOD VOUCHER

- There will be distribution of voucher or door gift to members/proxies who participate in the AGM.

9. ENQUIRIES

- If you have any queries prior to the AGM, please contact Boardroom during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Share Registrar

Boardroom Share Registrars Sdn. Bhd.

Tel : +603-7890 4700

Fax : +603-7890 4670

Email : bsr.helpdesk@boardroomlimited.com



KAWAN FOOD BERHAD
<http://www.kawanfood.com>
 Registration No. 200401001942 (640445-V)
 (Incorporated in Malaysia)

No. of ordinary shares held	CDS account no. of holder

Proxy Form

I/We, _____ (name of shareholder as per NRIC/Passport, in capital letters)

NRIC No./ Passport No./Company No. _____ of _____

_____ (full address)

being a *member/members of **KAWAN FOOD BERHAD** hereby appoint(s):-

Full Name	NRIC No./Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Email Address	Contact No.		

* and/ or (delete as appropriate)

Full Name	NRIC No./Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Email Address	Contact No.		

or failing *him/her, the Chairman of the meeting as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Nineteenth Annual General Meeting ("19th AGM") of Kawan Food Berhad ("Kawan" or "the Company") to be held at Lot 129351, Jalan Sungai Pinang 4/19, Taman Perindustrian Pulau Indah, Selangor Halal Hub, Fasa 2C, 42920, Pulau Indah, Selangor Darul Ehsan, Malaysia on **Wednesday, 21 June 2023 at 10.30 a.m.** or any adjournment thereof.

My/our proxy/proxies is/are to vote as indicated below.

Item No.	Agenda	Resolutions	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors' and Auditors' thereon.			
2.	To approve the Directors' fees and benefit payable to the Directors of the Company of up to RMI,074,000.00 for the period from 22 June 2023 until the conclusion of the Twentieth AGM.	Ordinary Resolution 1		
3.	To re-elect Gan Thiam Hock who is to retire pursuant to Clause 115(1) of the Company's Constitution and being eligible, has offered himself for re-election.	Ordinary Resolution 2		
4.	To re-elect Kwan Sok Kay who is to retire pursuant to Clause 115(1) of the Company's Constitution and being eligible, has offered herself for re-election.	Ordinary Resolution 3		
5.	To re-elect Dr Nik Ismail Bin Nik Daud who is to retire pursuant to Clause 115(1) of the Company's Constitution and being eligible, has offered himself for re-election.	Ordinary Resolution 4		
6.	To re-appoint RSM Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 5		
Special Business				
7.	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 6		
8.	Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with MH Delight Sdn Bhd.	Ordinary Resolution 7		
9.	Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with Hot & Roll Sdn Bhd.	Ordinary Resolution 8		
10.	Authority under Section 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares.	Ordinary Resolution 9		
11.	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares.	Ordinary Resolution 10		
12.	Proposed Allocation of Employees' Share Option Scheme ("ESOS") Options to Gan Ka Bien.	Ordinary Resolution 11		
13.	Proposed Allocation of ESOS Options to Yeap Chee Keong.	Ordinary Resolution 12		
14.	Proposed Allocation of ESOS Options to Gan Meng Hoi.	Ordinary Resolution 13		
15.	Proposed Allocation of ESOS Options to Gan Meng Hoo.	Ordinary Resolution 14		
16.	Proposed Allocation of ESOS Options to Gan Thiam Chuan.	Ordinary Resolution 15		

(Please indicate with an "X" in the appropriate box against the resolutions on how you wish your proxy to vote. The proxy is to vote on the resolutions set out in the Notice of Meeting as you have indicated. If no specific instruction as to voting is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

- * Strike out whichever is not applicable.
- * if you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "the Chairman of the Meeting or failing him/her" and insert the name(s) of the person(s) desired.

Signature/Common Seal of Shareholder

Number of shares held: _____

Date:

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:		
	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

Notes:

- For the purpose of determining who shall be entitled to participate in this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 13 June 2023**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM.
- A member entitled to participate in this AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
- A Member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote.

a. In hard copy form

In the case of an appointment made in hard copy form, the original proxy form must be deposited with the Share Registrar's office, Boardroom Share Registrars Sdn Bhd ("Boardroom") of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

b. By electronic means

The proxy form can be electronically lodged with Boardroom via Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>. Please follow the procedures set out in the Administrative Details for such lodgement. Alternatively, the proxy form can be emailed to Boardroom at bsr.helpdesk@boardroomlimited.com.

- Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
- Last date and time for lodging the proxy form is **Monday, 19 June 2023 at 10.30 a.m.**
- Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
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 - at least two (2) authorised officers, of whom one shall be a director; or
 - any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
- Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in the notice of any general meeting will be put to vote by poll.

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 2023.

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AFFIX
STAMP

KAWAN FOOD BERHAD
Registration No. 200401001942 (640445-V)
c/o Boardroom Share Registrars Sdn Bhd
Registration No. 199601006647 (378993-D)

11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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KAWAN FOOD BERHAD

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