

2014

Where *every* minute counts

KAWAN Food Berhad Annual Report

640445-V (Incorporated in Malaysia)



Where time is *everything*

KAWAN Food Berhad is one of the leading figures that specialises in ethnic food products in the frozen food industry. In line with the changing times where kitchen technology allows for almost instant food preparation, we at Kawan pledge to provide great food in fewer steps in less time. We also aim to produce healthier food products that do not compromise on taste however everyone chooses to enjoy them.

So with *handy, hearty and hygienic*, everyone will have that vital bit of extra time to focus on the more important things in life - family, wellness and well-being.

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Corporate Information

DIRECTORS

GAN THIAM CHAI
Executive Chairman

GAN THIAM HOCK
Non-Independent
Executive Director

KWAN SOK KAY
Non-Independent
Executive Director

TIMOTHY TAN HENG HAN
Non-Independent
Executive Director

**NARESHCHANDRA
GORDHANDAS NAGRECHA**
Non-Independent
Non-Executive Director

JAYENDRA JANARDAN VED
Non-Independent
Non-Executive Director

CHEN SENG CHONG
Senior Independent
Non-Executive Director

LIM PENG @ LIM PANG TUN
Independent
Non-Executive Director

SOO YOKE MUN
Independent
Non-Executive Director

AUDIT COMMITTEE

LIM PENG @ LIM PANG TUN
Chairman

CHEN SENG CHONG
Member

SOO YOKE MUN
Member

REMUNERATION COMMITTEE

GAN THIAM HOCK
Chairman

LIM PENG @ LIM PANG TUN
Member

CHEN SENG CHONG
Member

NOMINATING COMMITTEE

CHEN SENG CHONG
Chairman

LIM PENG @ LIM PANG TUN
Member

**NARESHCHANDRA
GORDHANDAS NAGRECHA**
Member

REGISTERED OFFICE

**C/O STRATEGY CORPORATE
SECRETARIAT SDN BHD.**
Unit 07-02, Level 7, Persoft Tower
6B Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya
Selangor Darul Ehsan, Malaysia

T +603 7804 5929

F +603 7805 2559

SHARE REGISTRAR

**SYMPHONY SHARE
REGISTRARS SDN BHD**
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia

T +603 7841 8000

F +603 7841 8008

SECRETARY

NG YIM KONG (LS0009297)

AUDITORS

CHENG & CO
No. 8-2 & 10-2
Jalan 2/114
Kuchai Business Centre
Off Jalan Kuchai Lama
58200 Kuala Lumpur, Malaysia

T +603 7984 8988

F +603 7984 4402

PRINCIPAL BANKERS

RHB BANK BERHAD
(Company No. 6171-M)

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

MALAYAN BANKING BERHAD
(Company No. 3813-K)

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

STOCK EXCHANGE LISTING

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

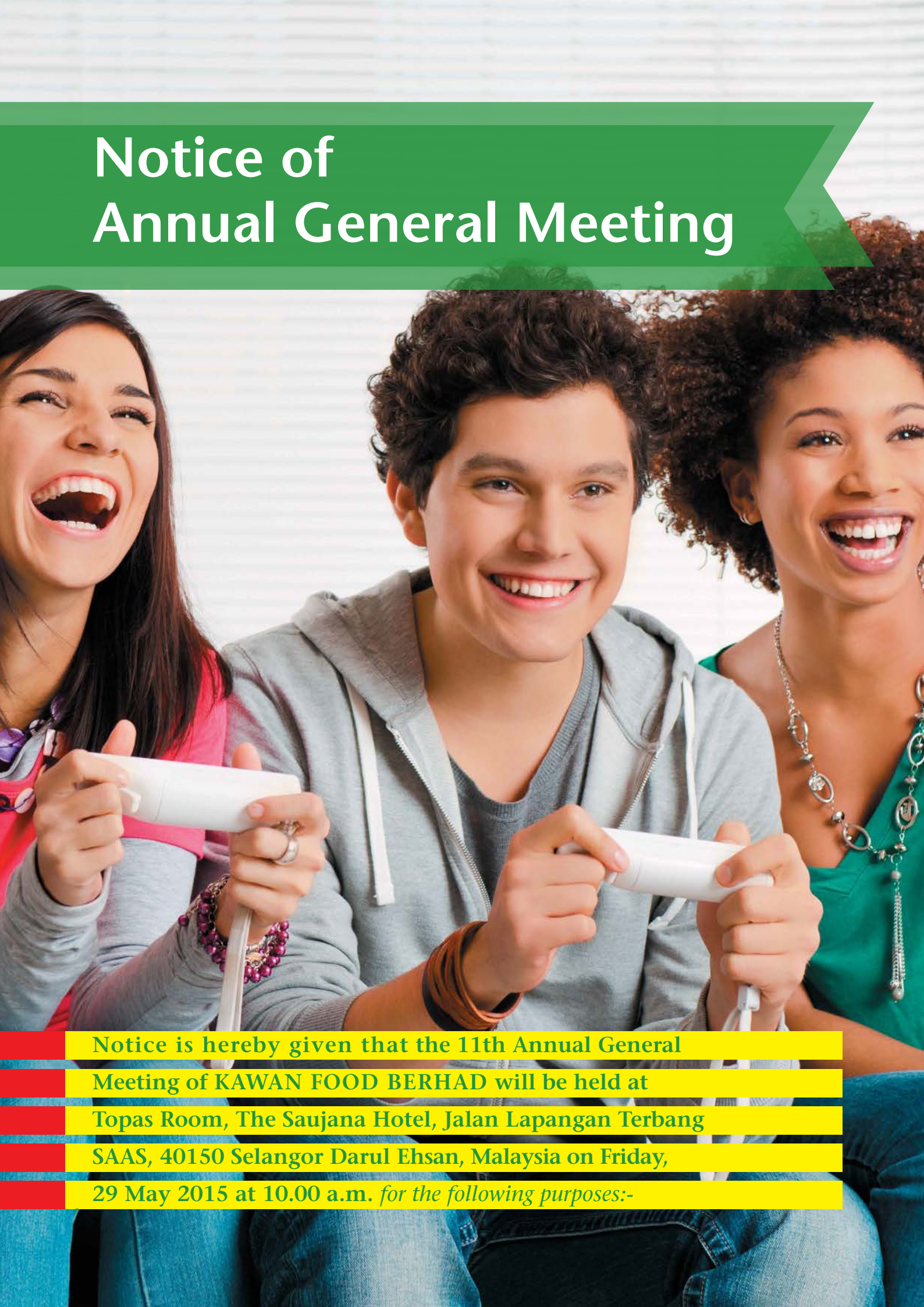
WARRANTS

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

WEBSITE

www.kawanfood.com

Notice of Annual General Meeting

A photograph of three young adults, two women and one man, sitting together and smiling while holding white video game controllers. They appear to be in a casual setting, possibly a living room, with a light-colored wall in the background. The woman on the left has long dark hair and is wearing a pink top. The man in the center has curly brown hair and is wearing a grey hoodie. The woman on the right has curly brown hair and is wearing a green top and a necklace. They are all looking towards the camera with joyful expressions.

Notice is hereby given that the 11th Annual General Meeting of KAWAN FOOD BERHAD will be held at Topas Room, The Saujana Hotel, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Friday, 29 May 2015 at 10.00 a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of Directors' fees for the financial year ended 31 December 2014.
3. To re-elect the following Directors who retire pursuant to Article 80 of the Company's Articles of Association:-
 - (a) Mr. Gan Thiam Hock
 - (b) Mr. Lim Peng @ Lim Pang Tun
 - (c) Mr. Jayendra Janardan Ved
4. To re-appoint Messrs. Cheng & Co. as the Company's Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:-

5. Authority for Mr. Chen Seng Chong to Continue In Office as Independent Non-Executive Director of the Company.

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

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

7. To consider and, if thought fit, to pass with or without modifications, the following Ordinary Resolutions:

7.1 Ordinary Resolution 1

Authority for Directors to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and 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 10% of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Malaysia Securities Berhad ("Bursa Securities") **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7.2 Ordinary Resolution 2

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

Note B

Resolution 1

Resolution 2

Resolution 3

Resolution 4

Resolution 5

Resolution 6

Resolution 7

Resolution 8

Resolution 9

Notice of Annual General Meeting *continued*

"THAT the Company and/or its subsidiaries be and are hereby authorised to enter into Recurrent Related Party Transactions of a revenue or trading nature with Shana Foods Limited and Rubicon Food Products Limited as specified in Section 2.2 of the Circular to Shareholders dated 7 May 2015, provided that such arrangements and/or transactions which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms and on prices and terms which are not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders of the Company.

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Renewal of Shareholders' Mandate.

AND THAT such authority shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which such Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier."

7.3 Ordinary Resolution 3

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

Resolution 10

"THAT the Company and/or its subsidiaries be and are hereby authorised to enter into Recurrent Related Party Transactions of a revenue or trading nature with K.C. Belight Food Industry (M) Sdn. Bhd., Food Valley Sdn. Bhd. and Hot & Roll Sdn. Bhd. as specified in Section 2.2 of the Circular to Shareholders dated 7 May 2015, provided that such arrangements and/or transactions which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms and on prices and terms which are not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders of the Company.

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Renewal of Shareholders' Mandate.

AND THAT such authority shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which such Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 143(1) of the Act, 1965 (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier."

Notice of Annual General Meeting continued

8. To transact any other ordinary business of the Company of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

BY ORDER OF THE BOARD

KAWAN FOOD BERHAD

NG YIM KONG (LS0009297)

Company Secretary

Selangor Darul Ehsan

7 May 2015

Notes:-

A. PROXY

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy in his/her stead.
2. A proxy may but need not be a member of the Company and the provision of Section 149(1) (b) of the Act shall not apply to the Company.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. Where a member appoints more than two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.
5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy must be deposited at the Company's Registered Office at Strategy Corporate Secretariat Sdn. Bhd., Unit 07-02, Level 7, Persoft Tower, 6B Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

B. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

This agenda item is meant for discussion only as the provisions of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the said Audited Financial Statements by the shareholders. Hence, this agenda item is not subject to voting by the shareholders.

C. EXPLANATORY NOTES ON SPECIAL BUSINESS

Resolutions 6 & 7 - Retention of Independent Non-Executive Directors

Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 recommends that shareholders' approval must be sought in the event that the Company intends to retain the Independent Non-Executive Directors who have served in that capacity more than 9 years.

The Nominating Committee has at the annual assessment assessed the independence of Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun who had served more than 9 years, remain objective and independent in expressing their view and in participating in deliberations and decision making of the Board and Board Committees. They are both professionals in own fields and their length of service on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company. In addition, Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun had individually confirmed and declared in writing that they are Independent Directors and they have satisfied all the criteria of an Independent Director set out in paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board has therefore recommended that the approval of the shareholders be sought to re-appoint Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun as Independent Non-Executive Directors.

Resolutions 6 & 7 if passed, will enable the Company to retain Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun as Independent Non-Executive Directors.

Resolution 8 - Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965

This resolution is proposed pursuant to Section 132D of the Companies Act, 1965, and if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares in the Company up to and not exceeding in total ten per cent (10%) of the issued and paid-up share capital of the Company for the time being and for such purposes as the Directors deem fit and in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

This mandate is a renewal of the last mandate granted to the Directors at the Tenth Annual General Meeting held on 30 May 2014 which will lapse at the conclusion of the Eleventh Annual General Meeting.

The renewal of this mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment, working capital and/or acquisition or to issue new shares as consideration for investments and/or acquisition which the Directors consider would be in the best interest of the Company.

Up to the date of this Notice, the Company has not issued any shares pursuant to the mandate granted to the Directors at the Tenth Annual General Meeting because there were no investment(s), acquisition(s) or working capital that required fund raising activity.

Resolutions 9 & 10 - Proposed Renewal of Shareholders' Mandate

The Proposed Ordinary Resolutions under items 7.2 and 7.3 above, if passed, will enable the Company and its subsidiaries ("the Group") to enter into the specified Recurrent Related Party Transactions as set out in Section 2.2 of the Circular to Shareholders dated 7 May 2015 with the specified classes of the Related Parties mentioned therein which are necessary for the Group's day-to-day operations. For further information on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, please refer to the Circular to Shareholders dated 7 May 2015 enclosed together with the Company's 2014 Annual Report.

D. GENERAL MEETING RECORD OF DEPOSITORS

For the purpose of determining whether a member is entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 55(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 22 May 2015. Only a depositor whose names appear in the Record of Depositors as at 22 May 2015 will be entitled to attend, speak and vote at the Meeting.

Board of Directors



From left to right:

TIMOTHY TAN HENG HAN
Non-Independent
Executive Director

**JON FANG
NEE CHOONG**
Chief
Executive Officer

**LIM PENG
@ LIM PANG TUN**
Independent
Non-Executive Director

**JAYENDRA
JANARDAN VED**
Non-Independent
Non-Executive Director

**NARESHCHANDRA
GORDHANDAS NAGRECHA**
Non-Independent
Non-Executive Director



SOO YOKE MUN
Independent
Non-Executive Director

KWAN SOK KAY
Non-Independent
Executive Director

GAN THIAM CHAI
Executive Chairman

GAN THIAM HOCK
Non-Independent
Executive Director

CHEN SENG CHONG
Senior Independent
Non-Executive Director

Chief Executive Officer's Profile

JON FANG NEE CHOONG

Chief Executive Officer

Jon Fang Nee Choong, aged 53, a Malaysian, is the Chief Executive Office of Kawan Food Berhad. He was appointed to this position on 1 March 2010.

Mr. Jon Fang holds a Master in Business Administration from University of Strathclyde, United Kingdom. He is an Associate Member of Malaysian Institute of Management where he obtained his Diploma in Management.

He began his career in the pharmaceutical and healthcare products industry in 1979 and held various sales and marketing roles in multinational companies. His last senior management position at Boots Healthcare International was Divisional Head of Sales & Marketing for Malaysia, Singapore & Indonesia.

He also held General Management positions in two (2) fast moving consumer good companies including a stint in a subsidiary of a public listed company in Malaysia where he successfully executed turnaround management of a company. He joined the Group in 2005 as General Manager before being appointed to his current position.

Mr. Jon Fang 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 ten (10) years.

Directors' Profiles

GAN THIAM CHAI

Executive Chairman

Gan Thiam Chai ("T.C.Gan"), aged 61, a Malaysian, was appointed to the Board on 1 June 2005 and has been the Executive Chairman since 1 March 2010.

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

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

Mr. T.C. Gan is the husband of Mdm. Kwan Sok Kay, brother of Mr. Gan Thiam Hock and father-in-law to Mr. Timothy Tan Heng Han. He has no conflict of interest with the Company except that he is a substantial shareholder of the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2014.

Directors' Profiles *continued*

GAN THIAM HOCK

Non-Independent Executive Director

Gan Thiam Hock ("T.H.Gan"), aged 52, a Malaysian, was appointed to the Board on 1 June 2005. He is also the Chairman of the Remuneration Committee of the Company.

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

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

Mr. T.H. Gan is the brother of Mr. T.C. Gan and brother-in-law to Mdm. Kwan Sok Kay. He has no conflict of interests with the Company except that he is a substantial shareholder of the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2014.

KWAN SOK KAY

Non-Independent Executive Director

Kwan Sok Kay, aged 60, a Malaysian, was appointed to the Board on 1 June 2005.

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

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

Mdm. Kwan is the wife of Mr. T.C. Gan, sister-in-law of Mr. T.H. Gan and mother-in-law of Mr. Timothy Tan Heng Han. She has no conflict of interests with the Company except that she is a substantial shareholder of the Company. She has never been convicted for any offence within the past ten (10) years. She attended all the five (5) Board Meetings held during the financial year ended 31 December 2014.

TIMOTHY TAN HENG HAN

Non-Independent Executive Director

Timothy Tan Heng Han, aged 34, a Malaysian, was appointed to the Board on 25 November 2013.

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

Mr. Timothy Tan is currently the Deputy General Manager (Exports) of KFM.

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

Mr. Timothy Tan is the son-in-law of Mr. T.C. Gan and Mdm. Kwan Sok Kay. He has never been convicted for any offence within the past ten (10) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2014.

Directors' Profiles *continued*

CHEN SENG CHONG

Senior Independent Non-Executive Director

Chen Seng Chong, aged 66, a Malaysian, was appointed to the Board on 16 May 2005. He is also the Chairman of the Nominating Committee, a member of the Audit Committee and Remuneration Committee of the Company.

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

Mr. Chen does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2014.

LIM PENG @ LIM PANG TUN

Independent Non-Executive Director

Lim Peng @ Lim Pang Tun, aged 59, a Malaysian, was appointed to the Board on 16 May 2005. He is also the Chairman of the Audit Committee, a member of the Remuneration Committee and Nominating Committee of the Company.

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

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

Mr. Lim does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2014.

SOO YOKE MUN

Independent Non-Executive Director

Soo Yoke Mun, aged 65, a Malaysian, was appointed to the Board on 23 January 2009. He is a member of the Audit Committee of the Company.

Mr. Soo obtained his Bachelor degree in Economics from University of Malaya and he is a member of Malaysian Institute of Accountants. He is a Public Accountant by profession. He has more than 30 years of working experience in the field of accounting, auditing and taxation. He is the partner of Y M Soo & Co., an accounting firm which was established since 1978.

Mr. Soo 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 ten (10) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2014.

Directors' Profiles *continued*

NARESHCHANDRA GORDHANDAS NAGRECHA

Non-Independent Non-Executive Director

Nareshchandra Gordhandas Nagrecha, aged 64, a British national, was appointed to the Board on 31 December 2009. He is a member of the Nominating Committee of the Company.

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

In 1977, Mr. Nagrecha joined an international soft drink company as Technical Manager within the R&D department. In 1982, he jointly founded Rubicon Drinks Limited, a company incorporated in England and Wales, to produce and distribute Exotic Juice Drinks, for the ethnic community in UK. The company grew rapidly and is now considered to be part of the mainstream drinks chain in UK. In August 2008, the company was sold to AG Barr plc, the third largest drinks manufacturer in the UK.

Mr. Nagrecha currently jointly owns Rubicon Food Products Limited ("RFPL"), a company incorporated in Canada. RFPL manufactures and distributes the Rubicon range of drinks as well as imports and distributes Shana range of frozen vegetables and flat bread for the South Asian market in North America. He is also the beneficial owner of Shana Foods Limited, a company incorporated in England and Wales, which imports and distributes Shana range of frozen vegetables and flat bread for the South Asian market in Europe.

Mr. Nagrecha has now settled in Malaysia and is presently developing Rubicon business in the rest of the world. At the same time, he has diversified into hospitality industry and in 2009, started a project of setting up a hotel & service apartment in Goa, India. The "Sandalwood Hotel & Retreat" opened its doors to first customer at the beginning of April 2010.

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

Mr. Nagrecha does not have any family relationship with any Director and/or major shareholder of the Company. He has never been convicted for any offence within the past ten (10) years. He attended four (4) out of five (5) Board Meetings held during the financial year ended 31 December 2014.

JAYENDRA JANARDAN VED

Non-Independent Non-Executive Director

Jayendra Janardan Ved, aged 52, a British national, was appointed to the Board on 9 November 2009.

Mr. Ved is a fellow of the Institute of Chartered Accountants in England and Wales. He is a general practitioner based in London advising a wide range of clients' on general business and commercial matters with emphasis on new business start-ups, UK inward investment, buying and selling companies as well as entrepreneurial businesses. His regular client work includes strategic tax advice, raising finance, corporate structuring and general commercial advice as well as accounting and audits of small and larger private companies.

He has assisted clients in the acquisition and sale of a clients' businesses, including initial negotiations, due diligence, tax structuring of the transaction and working with other professionals such as brokers, lawyers and top four accountancy practices.

Mr. Ved 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 ten (10) years. He attended four (4) out of five (5) Board Meetings held during the financial year ended 31 December 2014.

Group Corporate Structure

KAWAN FOOD MANUFACTURING SDN. BHD.

Manufacturing and sales of frozen food products

100%

KG PASTRY MARKETING SDN. BHD.

Trading and distribution of frozen food products

100%

KAWAN FOOD (HONG KONG) LIMITED

Trading and distribution of frozen food products

100%

KAYANGAN MANISAN (M) SDN. BHD.

Trading and distribution of frozen food products

51%

KAWAN FOOD BERHAD

Investment holding

KAWAN FOOD (NANTONG) CO., LTD.

Manufacturing and sales of frozen food delicacies

100%

KAWAN FOOD CONFECTIONERY SDN. BHD.

Trading and distribution of frozen food products

100%

HOT AND GO MANAGEMENT SDN. BHD.

Operators and proprietors of café, bistro and restaurant

50%



Group Financial Highlights

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|----------------|---------|---------|---------|---------|
| KEY RESULTS (RM'000) | | | | | |
| Revenue | 149,524 | 126,426 | 110,227 | 104,027 | 92,188 |
| Operating profit (EBITDA) | 32,546 | 26,795 | 23,134 | 23,526 | 23,175 |
| Profit before tax | 26,285 | 20,645 | 16,881 | 18,117 | 17,810 |
| Net profit attributable to shareholders of the Company | 20,908 | 16,176 | 13,545 | 14,206 | 14,163 |
| BALANCE SHEET AND OTHER KEY DATA (RM'000) | | | | | |
| Total assets | 186,525 | 159,645 | 140,919 | 129,899 | 118,670 |
| Total liabilities | 32,106 | 23,833 | 22,122 | 21,697 | 24,717 |
| Share capital (Ordinary shares of RM0.50 each) | 91,175 | 60,000 | 60,000 | 60,000 | 60,000 |
| Equity attributable to shareholders of the Company | 154,425 | 135,839 | 118,808 | 108,200 | 93,953 |
| Total borrowings | 6,868 | 3,066 | 3,991 | 4,872 | 5,995 |
| Total equity | 154,419 | 135,812 | 118,796 | 108,201 | 93,953 |
| Net cash from operating activities | 24,343 | 22,022 | 23,055 | 7,156 | 18,322 |
| Cash and cash equivalents | 37,032 | 36,146 | 25,614 | 16,800 | 23,034 |
| FINANCIAL RATIOS | | | | | |
| Revenue growth (%) | 18.27 | 14.70 | 5.96 | 12.84 | 5.20 |
| Current ratio (times) | 3.37 | 3.98 | 3.50 | 3.80 | 2.90 |
| Cash ratio (times) | 1.46 | 1.93 | 1.53 | 1.10 | 1.33 |
| P/E ratio (times) | 12.16 | 10.31 | 7.66 | 8.45 | 12.29 |
| Total borrowings/Equity (%) | 4.45 | 2.26 | 3.36 | 4.50 | 6.38 |
| Long term borrowings/Equity (%) | 3.78 | 1.54 | 2.58 | 3.67 | 5.17 |
| SHARE INFORMATION | | | | | |
| Basic earnings per share (sen) | 11.51 | 13.48 | 11.29 | 11.84 | 11.80 |
| Dividend per share (sen) | 5.40 | 1.80 | 1.80 | 1.40 | 1.40 |
| Net assets per share attributable to shareholders of the Company (RM) | 0.85 | 1.13 | 0.99 | 0.90 | 0.78 |
| Share price - High (RM) | 2.75 | 1.39 | 1.10 | 1.42 | 1.67 |
| Share price - Low (RM) | 1.30 | 0.77 | 0.80 | 0.80 | 1.00 |
| Share price as at 31 December (RM) | 1.40 | 1.39 | 0.865 | 1.00 | 1.45 |
| Company market capitalisation (RM'000) | 255,289 | 166,800 | 103,800 | 120,000 | 174,000 |



Executive Chairman's Statement

On behalf of the Board of Directors, it is with great pleasure to present the Annual Report and Audited Financial Statements of Kawan Food Berhad and its subsidiaries ("the Group") for the financial year ended 31 December 2014.

FINANCIAL HIGHLIGHTS

2014 marked a great year for Kawan Food Berhad as Group sales revenue hit close to RM150 million, only 3 years after exceeding the RM100 million mark in 2011. This achievement would not have been possible without the support of our customers and distribution network people, both in Malaysia and overseas. On behalf of the Group, I wish to thank them all for their support.

The Group recorded sales of RM149.5 million in 2014 which represented a 18.3% increase when compared to the previous years' sales of RM126.4 million. The growth came from all the business units with export markets and the Malaysia domestic sales being the key contributors. Profit before tax grew from RM20.6 million to RM26.3 million. Profit after tax came in at RM20.9 million which saw an increase of 29.5% compared to 2013.

DIVIDEND

On 27 February 2014, the Company declared an interim single tier dividend of 1.8 sen per ordinary share and a special single tier dividend of 3.6 sen per ordinary share totaling RM6,495,897 in respect of the financial year ended 31 December 2014. The dividends were paid on 15 April 2014.

On 6 March 2015, the Company declared an interim single tier dividend of 2 sen per ordinary share totaling RM3,657,137 in respect of the financial year ending 31 December 2015. The dividend was paid on 2 April 2015.

CORPORATE SOCIAL RESPONSIBILITY

This year, the Group had the opportunity to be the main presenter of a movie produced locally by local talents and local production crew members. The Group is proud to be able to play our part in supporting the local filming industry. The Group also took the opportunity to give back to the community by giving free movie tickets during our own premiere to a non-profit organisation Padmasambhava Children Loving Association that takes care of underprivileged children.

The Group also continues to provide contributions in the form of food products, stationeries, goodies bags for our adopted orphanages – the Pertubuhan Kebajikan Anak-Anak Yatim & Miskin and Rumah Ozanam.

Supporting the Rose Virginie Good Shepherd Centre for women and girls in Ipoh, the Group contributes to their microenterprise projects to provide employment opportunities and financial assistance to single mothers or affected females. Our Kawan Puff Pastries are particularly popular in their fund raising activities.

OUTLOOK AND PROSPECTS

In Malaysia, as part of the expansion plan, the Group has started to build the new factory which is located at the Selangor Halal Hub in Pulau Indah, Port Klang. The onsite progress is satisfactory and is ongoing smoothly. The facilities when ready by the end of 2015 shall allow us to consolidate our current operations under one roof thus increasing our capacities while at the same time enhancing efficiencies and control apart from catering to our business growth needs.

On the business front, the Group continued to build the KAWAN brand in key markets through both above the line and below the line activities. The Group had also launched tortillas which is a kind of flatbread that has seen strong increase in demand worldwide due to its flexibility and also ease of use. The launch of the tortillas shall only be the start of the Group's plan to offer consumers locally and internationally a range of products with a higher level of convenience. As for our Nantong, China operations, year 2014 continued to see very good progress and the Group is confident with the able management there, the Group shall continue to grow significantly in the coming years.

On the R&D front, there are on-going efforts to improve on existing products and new product development to ensure that we keep ahead in our core categories. And with plans of offering consumers higher level of convenience products, the Group is also investing in more resources to make sure that we deliver the solutions to our consumers' needs.

The road ahead seems challenging as market sentiments remain very cautious with the introduction of the Goods and Services Tax. There will also be renewed focus and investment on all fronts to develop the European market which we believe holds potential in the medium to long term.

ACKNOWLEDGEMENT AND APPRECIATION

Before closing, I must put on record my deep appreciation of the perseverance, diligence, invaluable contribution and the loyalty of each and every colleague of mine. I hope that this team spirit will continue to be strengthened in the coming years so that the Group's achievements can be brought to greater heights.

Thank you.

GAN THIAM CHAI
Executive Chairman

Statement on Corporate Governance

Introduction

The Board of Directors ("the Board") of Kawan Food Berhad ("KFB" or "the Company") acknowledges the importance of practising good corporate governance in the Group. The Board is committed to ensuring that the principles and best practices of corporate governance as set out in the Malaysian Code on Corporate Governance 2012 ("the Code") are observed and adopted as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The following statement sets out how the Board has applied the principles of the Code and the extent of the compliance with the best practices during the financial year ended 31 December 2014.

Board of Directors

PRINCIPAL RESPONSIBILITIES OF THE BOARD

The Board of KFB retains its effective control and responsibility for the performance of the Group. The Board provides the Company with the stewardship of its overall strategic directions, development and operations of the Group. The Board is empowered to decide on all matters relating to the Company's business and to delegate these powers to executive management as considered appropriate.

The Board has appropriately delegated specific task to three (3) Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee. These Committees have wide ranging authorities and make recommendations to the Board which holds the ultimate responsibility.

However, the Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions such as:-

- Reviewing and adopting a strategic plan for the Company/Group.
- Overseeing the conduct of the Company/Group's business to evaluate whether the business is properly managed.
- Identifying principal risks and ensuring the implementation of appropriate actions/roles and mitigation measures.
- Investment and divestment.

The roles and responsibilities of the Board are set out in the Board Charter. The Board Charter also serves as a reference and primary induction literature to providing insights to prospective and existing board members and management.

The Board will review this Charter from time to time to ensure it remains consistent with its objectives and existing regulatory requirements. A copy of the Company's Board Charter is available at the Company's website.

BOARD BALANCE

The Board currently has nine (9) members, comprising an Executive Chairman, three (3) Non-Independent Executive Directors, two (2) Non-Independent Non-Executive Directors, a Senior Independent Non-Executive Director and two (2) Independent Non-Executive Directors. The profile of each Director is presented on pages 10 to 13 of this Annual Report.

In line with the recommendations of the Code, the Board has formalised a Code of Conduct of Ethics and Conduct for Directors to assist them to recognise and deal with unethical conduct and to help to foster a culture of honesty, trust, responsibility. The Code of Conduct of Ethics and Conduct for Directors is part of the Company's commitment to integrity, transparency and self-regulation.

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

Statement on Corporate Governance *continued*

The presence of the Independent Directors is essential as it provides unbiased and independent views, advice and judgement as well as to safeguard the interests of other stakeholders such as minority shareholders and the community.

In line with the Code, the independence of the Board members is reviewed annually. For the financial year under review, the Independent Non-Executive Directors have reaffirmed their independence based on the paragraph 1.01 of the Main Market Listing Requirements of Bursa Securities. All the Independent Directors have demonstrated to the Board that they have exercised unbiased and independent judgement and participation in discussion, safeguarding the interest of the Group and the minority shareholders.

The tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. The Board must justify and seek shareholders' approval in the event it intends to retain the independent director as an independent director.

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

The Board is satisfied that the current composition of the Board fairly reflects the investment of minority shareholders.

The Executive Chairman is responsible for the business direction and development of the Group whilst the Management is responsible for the day-to-day management of the operations of the Group.

The Code states that the Board must comprise a majority of independent directors where the Chairman is not an independent director. The Executive Chairman, Mr. Gan Thiam Chai who was appointed as Chairman after taking into account his vast experience in the manufacture, sale, trading and distribution of frozen food products. Mr. Gan Thiam Chai is also the promoter and founder of the Group.

In spite of the Chairman not being an Independent Director, the Board believes that the interest of the shareholders and the Company are protected by a strong presence of three Independent Directors in the Board who neither have any family relationship with any Director and/or major shareholders of the Company and have no conflict of interest with the Company. In addition, Mr. Chen Seng Chong is the Senior Independent Non-Executive Director to whom concerns relating to the Company may be addressed. The presence of two Non-Independent Non-Executive Directors (i.e. Mr. Nareshchandra Gordhandas Nagrecha and Mr. Jayendra Janardan Ved) who have no family relationship with the Chairman and/or the other Directors provided greater transparency and accountability at the Board level.

Further, the position of the Chairman and Chief Executive Officer ("CEO") are held by two different individual whilst Mr. Gan Thiam Chai is the Executive Chairman, the position of CEO is held by Mr. Jon Fang Nee Choong who is not a Director of the Company and is neither related or connected to any member of the Board nor have any business or other relationship with the Company.

Statement on Corporate Governance *continued*

BOARD MEETINGS

The Board meets at least four (4) times a year which is scheduled at quarterly basis, with additional meetings convened as and when required.

During the financial year ended 31 December 2014, the Board met five (5) times, with details of the attendance as follows:

| Name of Directors | Number of Board Meetings Attended |
|-------------------------|-----------------------------------|
| GAN THIAM CHAI | 5/5 |
| GAN THIAM HOCK | 5/5 |
| KWAN SOK KAY | 5/5 |
| TIMOTHY TAN HENG HAN | 5/5 |
| NARESHCHANDRA | |
| GORDHANDAS NAGRECHA | 4/5 |
| JAYENDRA JANARDAN VED | 4/5 |
| CHEN SENG CHONG | 5/5 |
| LIM PENG @ LIM PANG TUN | 5/5 |
| SOO YOKE MUN | 5/5 |

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at Board meetings. Each of the Directors has attended more than fifty percent (50%) of the total Board meetings held during the financial year ended 31 December 2014.

Each Director is expected to attend all meetings of the Board, general meetings and each Committee Meeting that the Director is a member. The Board would agree on an annual basis on the meeting dates for the whole year so that each member of the Board is able to plan his/her schedule accordingly. This helps to ensure that the Board is committed to meet when the time arises.

DIRECTORS' TRAINING

All the Directors of the Company have attended the Mandatory Accreditation Programme ("MAP"). New Directors will be briefed on the Company's history, operations and financial control system and plant visit to enable them to have in-depth understanding of the Company's operations.

The Directors are encouraged to attend continuous education programmes and seminars to keep abreast of relevant changes in laws and regulations and the development in the industry. During the financial year ended 31 December 2014, the training programmes and seminars attended by the Directors are as follows:-

| Name of Directors | Courses / Seminars / Conferences |
|-------------------------|--|
| GAN THIAM CHAI | Advocacy Sessions on Corporate Disclosure for Director of Listed Issuers |
| GAN THIAM HOCK | Advocacy Sessions on Corporate Disclosure for Director of Listed Issuers |
| KWAN SOK KAY | Advocacy Sessions on Corporate Disclosure for Director of Listed Issuers |
| TIMOTHY TAN HENG HAN | Goods and Services Tax |
| NARESHCHANDRA | |
| GORDHANDAS NAGRECHA | Advocacy Sessions on Corporate Disclosure for Director of Listed Issuers |
| | Introduction to Marketing |
| | Introduction to Finance |
| JAYENDRA JANARDAN VED | Corporate Tax - Six Monthly Update |
| | Accounting and Auditing - Quarterly Update |
| CHEN SENG CHONG | Advocacy Sessions on Corporate Disclosure for Director of Listed Issuers |
| | The Impact of Cyber Security at Board Level |
| LIM PENG @ LIM PANG TUN | Economy & Investment Outlook Forum 2015 |
| SOO YOKE MUN | National Tax Conference 2014 |
| | Budget Seminar year 2015 |
| | MIA International Accountant Conference 2014 |
| | Goods and Services Tax |

Statement on Corporate Governance *continued*

SUPPLY OF INFORMATION

The Board is provided with sufficient and timely information to enable it to discharge its duties effectively. This information includes both verbal and written details. Senior Management would be invited to be present at the Board and Audit Committee Meetings, as and when required, to provide further explanation and representation to the Board and Audit Committee. Besides Board Meetings, the Board also exercises control on matters that require the Board's approval through circulation of the Directors' Circular Resolutions.

Prior to Board Meetings, relevant papers which include the agenda and reports are circulated to all the Directors. All Directors have full and timely access to information with Board Papers distributed in advance of the meeting. This is to ensure that the Directors have sufficient time to study and understand the issues to be deliberated at the meetings and expedite the decision making process.

In order to discharge their responsibilities effectively, the Directors have access to all information within the Company and to the advice and services of the Company Secretary. There is no formal mechanism and procedure setting the manner in which independent professional advice may be obtained by the Board as a whole or by an individual Director. However, the Board or the Directors may obtain independent professional advice from external consultants or advisers in furtherance of their duties, at the Company's expense.

COMPANY SECRETARY

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

The Company Secretary and/or his representative attends all Board and Committee Meetings where he and/or his representative records and circulates the minutes of the meetings. He is also responsible for the safekeeping of the minutes by ensuring that they are kept at the registered office of the Company and are available for inspection, if required.

APPOINTMENT AND RE-ELECTION

Any proposed new appointments to the Board require deliberation by the full Board guided by and taking into consideration the recommendation of the Nominating Committee.

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors shall retire from office provided always that all Directors (including the Managing Director) shall retire from office once at least in each three (3) years, but shall be eligible for re-election. Directors who are appointed by the Board to fill a casual vacancy shall hold office until the next following Annual General Meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

Directors over 70 of age are required to submit themselves for re-appointment in accordance with Section 129(6) of the Companies Act, 1965.

Statement on Corporate Governance *continued*

Board Committees

The Board had established the following Committees which have their own terms and reference to govern their responsibilities:-

I Audit Committee

This Committee was established on 29 July 2005, comprising a Senior Independent Non-Executive Director and two (2) Independent Non-Executive Directors as follows:-

| | |
|--|------------|
| ■ LIM PENG @ LIM PANG TUN (Independent Non-Executive Director) | (Chairman) |
| ■ CHEN SENG CHONG (Senior Independent Non-Executive Director) | (Member) |
| ■ SOO YOKE MUN (Independent Non-Executive Director) | (Member) |

The detailed composition and functions of the Audit Committee are set out in the Audit Committee Report on pages 27 to 29 of this Annual Report.

II Remuneration Committee

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

| | |
|--|------------|
| ■ GAN THIAM HOCK (Non-Independent Executive Director) | (Chairman) |
| ■ LIM PENG @ LIM PANG TUN (Independent Non-Executive Director) | (Member) |
| ■ CHEN SENG CHONG (Senior Independent Non-Executive Director) | (Member) |

The primary objective of the Remuneration Committee is to act as a committee of the Board to assist in assessing the remuneration of the directors reflecting the responsibility and commitment undertaken by the Board membership.

The mechanism to determine the remuneration packages of the Directors has yet to be formalised. The Board as a whole will determine the remuneration packages of the Directors, with individual Directors abstaining from decisions in respect of their individual remuneration.

Meetings shall be held not less than one (1) time a year. There was one (1) meeting held during the financial year ended 31 December 2014 to deliberate on the remuneration packages of the Executive Director's and Directors' Fees for all the Directors. Details of the attendance are as follows:-

Number of Meetings Attended

Chairman:

| | |
|----------------|-----|
| GAN THIAM HOCK | 1/1 |
|----------------|-----|

Member:

| | |
|-------------------------|-----|
| LIM PENG @ LIM PANG TUN | 1/1 |
| CHEN SENG CHONG | 1/1 |

III Nominating Committee

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

| | |
|--|------------|
| ■ CHEN SENG CHONG (Senior Independent Non-Executive Director) | (Chairman) |
| ■ LIM PENG @ LIM PANG TUN (Independent Non-Executive Director) | (Member) |
| ■ NARESHCHANDRA GORDHANDAS NAGRECHA (Non-Independent Non-Executive Director) | (Member) |

The Senior Independent Non-Executive Director, Mr. Chen Send Chong is the Chairman of the Nominating Committee and this is in compliance with the commentary of the Code.

Statement on Corporate Governance *continued*

The primary objective of the Nominating Committee is to act as a committee of the Board to assist in discharging the following responsibilities:-

- (a) ensure that the Company recruits, retains, trains and develop the best available executive and non-executive directors and managers' rewards and succession effectively;
- (b) recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board after considering the candidates' skills, knowledge, expertise, experience, professionalism and integrity. In the case of the candidates for the position of the Independent Non-Executive Directors, the Nominating Committee would also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors;
- (c) consider, in making its recommendations, candidates for directorship proposed by the Managing Director and within the bounds of practicality, by any other senior executive or any Director or any shareholder;
- (d) recommend to the Board, Directors to fill the seats on Board Committees;
- (e) review the Board's structure and balance between Executive and Non-Executive Directors;
- (f) assess the effectiveness of the Board as a whole, the effectiveness of the committees of the Board and the contribution of each individual Director, including Independent Non-Executive Directors and Managing Directors.
- (g) review the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors shall bring to the Board; and
- (h) perform any other ad-hoc duties that may be required by the Board.

Meetings shall be held not less than one (1) time a year. There was one (1) meeting held during the financial year ended 31 December 2014. Details of the attendance are as follows:-

| | Number of Meetings Attended |
|-----------------------------------|-----------------------------|
| Chairman: | |
| CHEN SENG CHONG | 1/1 |
| Member: | |
| LIM PENG @ LIM PANG TUN | 1/1 |
| NARESHCHANDRA GORDHANDAS NAGRECHA | 1/1 |

In appointing the appropriate individual to the Board and membership of Board Committee, the Nominating Committee shall take into consideration the following:

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

The Board is committed to provide fair and equal opportunities and to nurture diversity (including gender, age and ethnicity) within the Group.

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

Statement on Corporate Governance *continued*

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

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

During the financial year under review, one (1) Nominating Committee Meeting was held and attended by all the Nominating Committee Members. The Nominating Committee undertook the following:

- Recommended to the Board, the Directors who are eligible to stand for re-election;
- Assessed the independence of Independent Directors; and
- Formalised the Directors' Performance Evaluation Form.

Directors' Remuneration

The aggregate Directors' remuneration paid to all Directors of the Company who served the Group during the year ended 31 December 2014 are as follows:-

| | Fees RM'000 | Benefits- in-kind RM'000 | Salaries, Bonuses & EPF RM'000 | Total RM'000 |
|-------------------------|----------------|--------------------------------|---|-----------------|
| Executive Directors | 114 | 51 | 2,132 | 2,297 |
| Non-Executive Directors | 192 | - | - | 192 |
| Total | 306 | 51 | 2,132 | 2,489 |

The number of Directors of the Company who served during the financial year ended 31 December 2014 and whose income derived from the Group falls within the following bands are as follows:-

| | Executive Directors | Non- Executive Directors |
|------------------------|------------------------|--------------------------------|
| RM50,000 and below | - | 5 |
| RM300,000 to RM600,000 | 2 | - |
| RM600,001 to RM900,000 | 2 | - |
| Total | 4 | 5 |

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

Statement on Corporate Governance *continued*

Shareholders Communication and Investors Relations

The Board acknowledges the need for the shareholders to be informed of all material business matters affecting the Company and the Group. In addition to various announcements made, the timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations.

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

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

At the Tenth AGM, the Directors were present in person to engage with the shareholders. The external auditors were in attendance to respond to any shareholders' queries, if any.

The Company's website has a section dedicated to shareholders under Investor Relations that provides shareholders with detailed information on the Group's business, commitments and latest developments. The Annual Report as well as those for past years are available through the Company's website.

Whilst the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material and price sensitive information.

Corporate Disclosure Policy

The Company and the Group are committed to a policy which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. Importance is also placed on timely and equal dissemination of material information to the stakeholders, media and regulators. In this respect, the Company has in place a Corporate Disclosure Policy to ensure that comprehensive, accurate and timely disclosures are provided to shareholders and stakeholders.

Material information will in all cases be disseminated broadly and publicly via Bursa Malaysia, and other means. Interested parties may also obtain the full financial result and the Company's announcements from the Company's website which are also posted on Bursa Malaysia's website.

Sustainability

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

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

Statement on Corporate Governance *continued*

Accountability and Audit

FINANCIAL REPORTING

The Board takes responsibility to present a balance, clear and fair assessment of the Group's annual audited financial statements and quarterly results to the shareholders, investors and regulatory authorities. The Board is assisted by the Audit Committee in reviewing the Group financial reporting processes and information disclosed to ensure the accuracy, adequacy and completeness of its financial reporting.

A Statement on Directors' Responsibility for preparing the annual audited financial statements is set out on page 37 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities and recognises the importance of ensuring a sound system of internal control to be in place in the Group. Currently, the Company has outsourced its internal audit function to a professional firm.

A Statement on Risk Management and Internal Control, which provides an overview of the state of internal control within the Group is set out on pages 35 to 37 of this Annual Report.

RELATIONSHIP WITH THE AUDITORS

The Company through the Audit Committee has established a transparent, professional and close working relationship with its internal and external auditors.

The role of the Audit Committee in relation to the internal and external auditors is set out in Audit Committee Report on pages 27 to 29 of this Annual Report.

WHISTLE-BLOWING POLICY

The Company is committed to promoting and maintaining high standards of integrity, transparency, accountability in the conduct of its business and operations. In line with this commitment and with the introduction of the Whistle Blower Protection Act 2010, the Company has formalised its Whistle-Blowing Policy which encourages all employees and interested parties ("Reporting Individual") to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste and/or abuse involving the resources of the Company.

- 26 The Whistle Blowing Policy adopted by the Company provides and facilitates a mechanism for any Reporting Individual to report concerns about any suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse.

The Whistle-Blowing Policy is posted on the Company's website.

POLL VOTING

The Board encourages participation at general meetings and will endeavor to put substantive resolutions and such resolutions as mandated by Bursa Securities to vote by poll. Generally resolutions will be carried out by show of hands, except for related party transaction wherein poll will be conducted as required by the Listing Requirement or as demanded by the shareholders in accordance with the Articles of Association of the Company.

All resolutions put forth at the Tenth Annual General Meeting held on 30 May 2014 were voted by a show of hands.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has complied with most of the principles of the Code and will continue to adopt the principles and recommendations of the Code. This Statement was approved by the Board on 20 April 2015.

Audit Committee Report

The Board of Directors ("the Board") is pleased to present the Report of the Audit Committee for the financial year under review.

Terms of Reference of the Audit Committee

1. MEMBERSHIP

The Audit Committee ("the Committee") shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, all the members must be Non-Executive Directors, with a majority of them being Independent Directors, and at least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants ("MIA"). If he is not a member of MIA, he must fulfill such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

A quorum shall consist of two (2) members and a majority of the members present must be Independent Directors.

If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

2. CHAIRMAN

The Chairman of the Committee shall be an Independent Director appointed by the Board. He shall report on each meeting of the Committee to the Board.

3. SECRETARY

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the Committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee members and to the other members of the Board.

4. FREQUENCY OF MEETINGS

Meetings shall be held not less than four (4) times a year and will normally be attended by the Director charged with the responsibility of the Group's financial condition. The presence of external auditors will be requested if required and the external auditors may also request a meeting if they consider it necessary.

DETAILS OF ATTENDANCE

Five (5) meetings were held during the financial year ended 31 December 2014. Details of the attendance are as follows:-

Chairman:

LIM PENG @ LIM PANG TUN

Number of Meetings Attended

5/5

Member:

CHEN SENG CHONG

5/5

SOO YOKE MUN

5/5

SUMMARY OF ACTIVITIES

The Committee carried out its duties in accordance with its terms of reference during the financial year ended 31 December 2014. The main activities undertaken by the Committee were as follows:-

- a) Reviewed the Group's unaudited quarterly financial results with the management and recommended to the Board for approval prior to release to Bursa Securities;
- b) Reviewed with the external auditors, the draft Audited Financial Statements for the financial year ended 31 December 2014 to ensure that the audited financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable accounting standards approved by Malaysian Accounting Standards Board prior to submission to the Board for consideration and approval;
- c) Reviewed with the external auditors, the audit plan, audit strategy and scope of work prior to commencement of annual audit;
- d) Reviewed the issues arising from the final audits, the comments and recommendations of the external auditors;
- e) Reviewed the performance of external auditors before recommending to the Board their reappointment and remuneration;
- f) Reviewed with the external auditors, the impact of adopting the revised/new Financial Reporting Standards;
- g) Reviewed with the external auditors, the significant risk areas and the Group's exposure;
- h) Reviewed with the internal auditors, the internal audit plans to ensure the adequacy of scope and coverage of audit;
- i) Reviewed with the internal auditors, the internal audit reports together with management's response and proposed action plans;
- j) Reviewed the Statement on Risk Management and Internal Control prior to submission to external auditors for review and to the Board for consideration and inclusion in the Annual Report;
- k) Reviewed the related party transactions including recurrent related party transactions and situations of conflict of interest that may arise within the Company and the Group to ensure compliance with the Listing Requirements of Bursa Securities and the Accounting Standards; and
- l) Meeting with the external auditors, at least twice annually without the presence of the executive directors and senior management.

5. AUTHORITY

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

The Committee is also authorised to convene meetings with the external auditors without the attendance of the executive members of the Board and Management, whenever deemed necessary.

6. DUTIES

The duties of the Committee shall be:-

- a) To review and recommend the appointment of external auditors, the audit fee and any questions of resignation or dismissal including the nomination of person or persons as external auditors;
- b) To discuss with the external auditors where necessary, the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved;
- c) To review the quarterly results and year end financial statements prior to approval by the Board, focusing on:-
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgmental areas
- d) To prepare Audit Committee Report at the end of each financial year;

- e) To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management and Executive Board Members, where necessary);
- f) To meet with the external auditors at least twice a year without the presence of Executive Directors and management;
- g) To review the external auditors' management letter and management's response;
- h) To review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- i) To carry out such other responsibilities, functions or assignments as may be defined jointly by the Committee and the Board of Directors from time to time;
- j) In compliance with Paragraph 15.16 of the Main Market Listing Requirements of Bursa Securities, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities, the Committee must promptly report such matter to the Bursa Securities.

7. INTERNAL AUDIT FUNCTION

The Committee recognises that an internal audit function is essential to ensure the effectiveness of the Group's system of internal control and is an integral part of the risk management process. The Group has outsourced its internal audit function to an external consultant during the financial year.

For the financial year ended 31 December 2014, the amount of fees incurred in respect of the internal audit reviews performed by the external consultant was RM54,000.

Details pertaining to internal audit function are set out in the Statement on Risk Management and Internal Control on pages 35 to 37 of this Annual Report.

Other information pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2014.

SHARE BUY-BACK

The Company did not carry out any share buy-back during the financial year ended 31 December 2014.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2014, the Company issued 1,566,065 new ordinary shares of RM0.5 each at RM1.4 per share pursuant to the Company's free warrants issue.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

The Company has not sponsored any ADR or GDR programme during the financial year ended 31 December 2014.

SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or management of the Company and its subsidiaries by any regulatory bodies during the financial year ended 31 December 2014.

NON-AUDIT FEE

During the financial year under review, non-audit fees paid to external auditors of the Company amounted to RM15,000.00.

VARIATION IN RESULTS

There was no material variance between the audited financial statements for the year ended 31 December 2014 and the announced unaudited financial statements for the fourth quarter ended 31 December 2014.

PROFIT GUARANTEE

There was no profit guarantee given by the Company.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and/or major shareholders.

Other information pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad continued

RECURRENT RELATED PARTY TRANSACTIONS

The Company had at its Annual General Meeting held on 30 May 2014 obtained a general mandate from its shareholders for the Group to enter into recurrent related party transactions of revenue or trading nature.

The aggregate value of recurrent related party transactions conducted during the financial year ended 31 December 2014 in accordance with shareholders' mandate obtained in the last Annual General Meeting were as follows:-

| Related Parties involved with Kawan Food Berhad ("KFB") or its Subsidiaries | Nature of Transactions | Relationship of Related Parties with KFB | Aggregate Value of Transaction (RM) |
|---|---|---|-------------------------------------|
| Shana Foods Limited ("Shana") | Purchase of frozen food products from KFB or its subsidiaries | Goshenite Limited ("Goshenite") <ul style="list-style-type: none"> Substantial shareholder of KFB 100% shareholder of Shana Mr. Nareshchandra Gordhandas Nagrecha ("Mr. Nagrecha") <ul style="list-style-type: none"> 49% shareholder of Goshenite Director of KFB and deemed interested in KFB through Goshenite Director of Shana and deemed interested in Shana through his shareholdings in Goshenite, which owns 100% interest in Shana Mr. Jayendra Janardan Ved ("Mr. Ved") <ul style="list-style-type: none"> Deemed interested by virtue of him being a person connected to Mr. Nagrecha <i>Persons connected to Mr. Nagrecha:-</i> Mrs. Veena Nagrecha <ul style="list-style-type: none"> Spouse of Mr. Nagrecha 49% shareholder of Goshenite | 9,215,892 |
| Rubicon Food Products Limited ("Rubicon") | Purchase of frozen food products from KFB or its subsidiaries | Goshenite <ul style="list-style-type: none"> Substantial shareholder of KFB 100% shareholder of Shana Mr. Nagrecha <ul style="list-style-type: none"> 49% shareholder of Goshenite Director of KFB and deemed interested in KFB through Goshenite Director and 50% shareholder of Rubicon Spouse of Mrs. Veena Nagrecha Mr. Ved <ul style="list-style-type: none"> Deemed interested by virtue of him being a person connected to Mr. Nagrecha <i>Persons connected to Mr. Nagrecha:-</i> Mrs. Veena Nagrecha <ul style="list-style-type: none"> Spouse of Mr. Nagrecha 50% shareholder of Rubicon | 4,917,150 |

Other information pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad continued

| Related Parties involved with Kawan Food Berhad ("KFB") or its Subsidiaries | Nature of Transactions | Relationship of Related Parties with KFB | Aggregate Value of Transaction (RM) |
|---|---|--|-------------------------------------|
| K.C. Belight Food Industry (M) Sdn. Bhd. ("KCB") | Purchase of frozen food products from KFB or its subsidiaries | <p>Mr. Gan Thiam Hock</p> <ul style="list-style-type: none"> • Director of KFB • Substantial shareholder of KFB • Brother of Mr. Gan Thiam Chai • Brother-in-law of Mdm. Kwan Sok Kay • Spouse of Mdm. Lam Saw Kuan <p>Mdm. Lam Saw Kuan</p> <ul style="list-style-type: none"> • Director and 50% shareholder of KCB • Spouse of Mr. Gan Thiam Hock <p><i>Persons connected to Mr. Gan Thiam Hock:-</i></p> <p>Mr. Gan Thiam Chai</p> <ul style="list-style-type: none"> • Director of KFB • Substantial Shareholder of KFB • Brother of Mr. Gan Thiam Hock • Brother-in-law of Mdm. Lam Saw Kuan • Spouse of Mdm. Kwan Sok Kay <p>Mdm. Kwan Sok Kay</p> <ul style="list-style-type: none"> • Director of KFB • Substantial Shareholder of KFB • Spouse of Mr. Gan Thiam Chai • Sister-in-law of Mr. Gan Thiam Hock and Mdm. Lam Saw Kuan | 831,721 |
| KCB | Sale of frozen food products to KFB or its subsidiaries | <p>Mr. Gan Thiam Hock</p> <ul style="list-style-type: none"> • Director of KFB • Substantial shareholder of KFB • Brother of Mr. Gan Thiam Chai • Brother-in-law of Mdm. Kwan Sok Kay • Spouse of Mdm. Lam Saw Kuan <p>Mdm. Lam Saw Kuan</p> <ul style="list-style-type: none"> • Director and 50% shareholder of KCB • Spouse of Mr. Gan Thiam Hock <p><i>Persons connected to Mr. Gan Thiam Hock:-</i></p> <p>Mr. Gan Thiam Chai</p> <ul style="list-style-type: none"> • Director of KFB • Substantial shareholder of KFB • Brother of Mr. Gan Thiam Hock • Brother-in-law of Mdm. Lam Saw Kuan • Spouse of Mdm. Kwan Sok Kay <p>Mdm. Kwan Sok Kay</p> <ul style="list-style-type: none"> • Director of KFB • Substantial shareholder of KFB • Spouse of Mr. Gan Thiam Chai • Sister-in-law of Mr. Gan Thiam Hock and Mdm. Lam Saw Kuan | 858,993 |

Other information pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad continued

| Related Parties involved with Kawan Food Berhad ("KFB") or its Subsidiaries | Nature of Transactions | Relationship of Related Parties with KFB | Aggregate Value of Transaction (RM) |
|---|---|--|-------------------------------------|
| Food Valley Sdn. Bhd. ("Food Valley") | Sale of frozen food products to KFB or its subsidiaries | <p>Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay</p> <ul style="list-style-type: none"> • Directors of KFB • Substantial shareholders of KFB • Husband and wife • Brother and sister-in-law of Mr. Gan Thiam Hock • Brother-in-law and sister-in-law of Mdm. Lam Saw Kuan • Parents of Ms. Gan Ka Bien, Ms. Gan Ka Hui and Ms. Gan Ka Ooi • Parents-in-law of Mr. Timothy Tan Heng Han <p>Mr. Gan Thiam Hock</p> <ul style="list-style-type: none"> • Director of KFB • Substantial shareholder of KFB • Brother of Mr. Gan Thiam Chai and brother-in-law of Mdm. Kwan Sok Kay respectively • Father of Mr. Gan Meng Hoi <p>Mr. Timothy Tan Heng Han</p> <ul style="list-style-type: none"> • Director and shareholder of KFB • Spouse of Ms. Gan Ka Bien • Son-in-law of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay <p>Ms. Gan Ka Bien</p> <ul style="list-style-type: none"> • Director and shareholder of Food Valley • Shareholder of KFB • Daughter of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay • Spouse of Mr. Timothy Tan Heng Han <p>Ms. Gan Ka Hui</p> <ul style="list-style-type: none"> • Director and shareholder of Food Valley • Daughter of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay <p>Ms. Gan Ka Ooi</p> <ul style="list-style-type: none"> • Shareholder of Food Valley • Daughter of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay <p>Mr. Gan Meng Hoi</p> <ul style="list-style-type: none"> • Shareholder of Food Valley • Son of Mr. Gan Thiam Hock and Mdm. Lam Saw Kuan | 10,068,474 |

Other information pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad *continued*

| Related Parties involved with Kawan Food Berhad ("KFB") or its Subsidiaries | Nature of Transactions | Relationship of Related Parties with KFB | Aggregate Value of Transaction (RM) |
|---|---|---|-------------------------------------|
| Hot & Roll Sdn. Bhd. | Purchase of frozen food products from KFB or its subsidiaries | <p>Mr. Gan Thiam Chai</p> <ul style="list-style-type: none"> • Director of KFB • Director and 35% shareholder of Hot & Roll Sdn. Bhd. • Substantial shareholder of KFB • Brother of Mr. Gan Thiam Hock • Spouse of Mdm. Kwan Sok Kay • Brother-in-law of Mdm. Lam Saw Kuan <p><i>Persons connected to Mr. Gan Thiam Chai :-</i></p> <p>Mr. Gan Thiam Hock</p> <ul style="list-style-type: none"> • Director of KFB • Substantial shareholder of KFB • Brother of Mr. Gan Thiam Chai • Brother-in-law of Mdm. Kwan Sok Kay • Spouse of Mdm. Lam Saw Kuan <p>Mdm. Kwan Sok Kay</p> <ul style="list-style-type: none"> • Director of KFB • Substantial shareholder of KFB • Spouse of Mr. Gan Thiam Chai • Sister-in-law of Mr. Gan Thiam Hock and Mdm. Lam Saw Kuan <p>Mr. Timothy Tan Heng Han</p> <ul style="list-style-type: none"> • Director and shareholder of KFB • Son-in-law of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay • Spouse of Ms. Gan Ka Bien | 2,360,755 |

Statement on Risk Management and Internal Control

Introduction

The Board is pleased to provide Kawan Food Berhad Group's Statement on Risk Management and Internal Control which outlines the nature and scope of its risk management and internal controls of the Group during the financial year ended 31 December 2014. This Statement has been prepared pursuant to paragraph 15.26 (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Board Responsibility

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, at the meeting held on 20 April 2015, the Board has also received assurance from the Chief Executive Officer and Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

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

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

1. RISK MANAGEMENT

The Board has established a structured Risk Management Framework to facilitate the Group's objective to identify, evaluate and manage significant business risk. The framework includes examining of business risks, assessing impact and likelihood of risks and taking management action plans to mitigate and minimise risk exposures. The Risk Management Working Committee ("RMWC") meets at least 2 times a year to carry out its duties in accordance with the Group's Risk Management Policies and Procedures. The RMWC monitors and reviews the risk management plans and reports to Audit Committee twice a year.

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

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

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

During the financial year ended 31 December 2014, the risk management framework was also reviewed by the internal audit function and recommendations were made to enhance the risk management procedure.

Statement on Risk Management and Internal Control continued

2. INTERNAL AUDIT FUNCTION

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

During the financial year ended 31 December 2014, internal audits were carried out and the findings of the internal audit, including the recommended corrective actions, were presented directly to the Audit Committee.

In addition, follow up review was conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in the annual report.

Total professional fees paid for outsourcing of internal audit function for the year ended 31 December 2014 was RM54,000.

3. INTERNAL CONTROL SYSTEM

- The Board and Audit Committee

The Board and Audit Committee meet at five (5) times during the financial year to ensure that the Directors maintain full and effective control on all significant and operational issues.

- Organisational Structure & Authorisation Procedures

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

- Periodical and/or Annual Budget

An annual budget is prepared by management and tabled to the Board for approval which will be used by the management for monitoring against actual performance.

- Group Policies and Procedures

Documented policies and procedures are in place and are regularly reviewed and updated to ensure that they maintain their relevance and continue to support the Group's business activities at all time as the Group continues to grow.

- Human Resource Policy

Comprehensive guidelines on employment is in place to ensure that the Group has team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.

- Information and Communication

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

- Monitoring and Review

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

- External Certification

There were two (2) surveillance audits conducted in January and June 2014 in respect of ISO22000:2005 Food Safety Management Systems, and one (1) surveillance audit conducted in respect of British Retail Consortium ("BRC") Global Standard for Food Safety in January 2014 by Lloyd's Register Quality Assurance ("LRQA").

ISO22000:2005 specifies requirements for a food safety management system where an organisation in the food chain needs to demonstrate its ability to control food safety hazards in order to ensure that food is safe at the time of human consumption.

Statement on Risk Management and Internal Control continued

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

Internal audits were also carried out in June and November 2014 by the appointed service provider and agendas covered were comprehensive to cover for elements of ISO22000:2005 and BRC.

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

Conclusion

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

This Statement was approved by the Board of Directors on 20 April 2015.

Statement on Directors' Responsibility

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

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

In preparing the financial statements for the year ended 31 December 2014 set out on pages 48 to 105 of this Annual Report, 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.

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 20 April 2015.



Financial Statements





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Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

RESULTS

| | Group | Company |
|--|-------------------|-------------------|
| | RM | RM |
| Net profit for the financial year attributable to: | | |
| Owners of the Company | 20,908,134 | 22,682,234 |
| Non-controlling interests | 21,040 | - |
| | <u>20,929,174</u> | <u>22,682,234</u> |

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

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company declared and paid an interim single tier dividend of 1.8 sen per ordinary share of RM0.50 each and a special single tier dividend of 3.6 sen per ordinary share of RM0.50 each totaling RM6,495,897 in respect of the financial year ended 31 December 2014 on 15 April 2014.

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

DIRECTORS

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

Gan Thiam Chai
Gan Thiam Hock
Kwan Sok Kay
Timothy Tan Heng Han
Nareshchandra Gordhandas Nagrecha
Jayendra Janardan Ved
Chen Seng Chong
Lim Peng @ Lim Pang Tun
Soo Yoke Mun

Directors' Report

DIRECTORS' INTERESTS

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

| Number of ordinary shares of RM0.50 each | | | | |
|---|--------|-------------|------|--------------------------------|
| Balance as at 1.1.2014 | Bought | Bonus Issue | Sold | Balance as at 31.12.2014 |
| The Company | | | | |
| Direct interests | | | | |
| Gan Thiam Chai | - | 19,979,997 | - | 59,939,991 |
| Gan Thiam Hock | - | 5,040,000 | - | 15,120,000 |
| Kwan Sok Kay | - | 5,030,250 | - | 15,090,750 |
| Timothy Tan Heng Han | - | 22,500 | - | 67,500 |
| Chen Seng Chong | - | 112,500 | - | 337,500 |
| Lim Peng @ Lim Pang Tun | - | 75,000 | - | 225,000 |
| Deemed interests through Goshenite Limited | | | | |
| Nareshchandra Gordhandas Nagrecha | - | 14,400,000 | - | 43,200,000 |

| Number of warrants 2011/2016 | | | | |
|---|--------|-------------|------|--------------------------------|
| Balance as at 1.1.2014 | Bought | Adjustment* | Sold | Balance as at 31.12.2014 |
| The Company | | | | |
| Direct interests | | | | |
| Gan Thiam Chai | - | 9,990,000 | - | 29,970,001 |
| Gan Thiam Hock | - | 2,520,000 | - | 7,560,000 |
| Kwan Sok Kay | - | 2,515,125 | - | 7,545,375 |
| Timothy Tan Heng Han | - | 11,250 | - | 33,750 |
| Chen Seng Chong | - | 56,250 | - | 168,750 |
| Lim Peng @ Lim Pang Tun | - | 37,500 | - | 112,500 |
| Deemed interests through Goshenite Limited | | | | |
| Nareshchandra Gordhandas Nagrecha | - | 7,200,000 | - | 21,600,000 |

* Adjustment arising from bonus issue of shares

| Number of ordinary shares of RM1 each | | | | |
|---|------------------------------|--------|------|--------------------------------|
| | Balance as at 1.1.2014 | Bought | Sold | Balance as at 31.12.2014 |
| Subsidiary company, Kayangan Manisan (M) Sdn Bhd | | | | |
| Deemed interests | | | | |
| Gan Thiam Hock | 51,000 | - | - | 51,000 |
| Kwan Sok Kay | 51,000 | - | - | 51,000 |

DIRECTORS' INTEREST *continued*

By virtue of their interests in the shares of the Company, Chen Seng Chong, Lim Peng @ Lim Pang Tun, Gan Thiam Chai, Gan Thiam Hock, Kwan Sok Kay, Timothy Tan Heng Han and Nareshchandra Gordhandas Nagrecha are also deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2014 had any interest in the ordinary shares and warrants of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

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

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

ISSUE OF SHARES AND DEBENTURES

The issued and paid-up share capital of the Company was increased during the financial year through the following:

(a) Exercise of Warrants 2011/2016

Issuance of 1,566,065 ordinary shares of RM0.50 each through the conversion of 1,566,065 warrants at an exercise price of RM1.40 per warrant from 28 January 2014 to 15 December 2014; and

(b) Bonus Issue

On 22 December 2014, the Company has increased its issued and paid-up share capital by way of a bonus issue of 60,783,026 new ordinary shares of RM0.50 each credited as fully paid-up on the basis of 1 bonus share for every 2 existing ordinary shares held, through the capitalisation of RM1,409,458 from share premium of the Company and RM28,982,055 from retained earnings of the Company. The bonus shares were listed on the Main Market of Bursa Malaysia Securities Berhad on 23 December 2014.

These new ordinary shares issued rank *pari passu* with the then existing ordinary shares of the Company.

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

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

WARRANTS

On 28 July 2011, the Company issued 60,000,000 free warrants on the basis of one (1) free warrant for every two (2) existing ordinary shares of RM0.50 each held by the entitled shareholders of the Company.

The warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 3 August 2011.

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

Consequential to the bonus issue of shares as mentioned above, the exercise price was adjusted to RM0.93 on 22 December 2014, and on that date, additional 29,216,659 warrants were issued arising from the adjustments made in accordance with the provisions under the Deed Poll constituting the warrants dated 12 July 2011. These additional warrants issued were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 23 December 2014.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

In the opinion of the Directors:

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

AUDITORS

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

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

GAN THIAM CHAI

Director

GAN THIAM HOCK

Director

Kuala Lumpur,

Date: 20 April 2015

Statement By Directors

We, Gan Thiam Chai and Gan Thiam Hock, being two of the Directors of Kawan Food Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 48 to 104 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out in Note 33 on page 105 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Gan Thiam Chai

Director

Kuala Lumpur,
Date: 20 April 2015

Gan Thiam Hock

Director

Statutory Declaration

I, Teoh Soon Tek, being the officer primarily responsible for the financial management of Kawan Food Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements of the Company set out on pages 48 to 105 are correct and I made this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
on this

Before me,

Teoh Soon Tek

Officer

Independent Auditors' Report to the Members of Kawan Food Berhad

Report on the Financial Statements

We have audited the financial statements of Kawan Food Berhad, which comprise the statements of financial position as of 31 December 2014 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 a summary of significant accounting policies and other explanatory information, as set out on pages 48 to 104.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

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

Other Matters

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

CHENG & CO
AF: 0886
Chartered Accountants

YAP PENG BOON
2118/12/16 (J)
Chartered Accountant

Kuala Lumpur,
Date: 20 April 2015

Statements of Financial Position

as at 31 December 2014

| | | Group | | Company | |
|--|----|-------------|-------------|------------|------------|
| | | 2014 | 2013 | 2014 | 2013 |
| Note | | RM | RM | RM | RM |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 4 | 95,338,732 | 78,103,997 | - | - |
| Investment properties | 5 | 2,644,330 | 2,675,400 | - | - |
| Prepaid lease payments | 6 | 3,037,268 | 2,986,503 | - | - |
| Investment in subsidiaries | 7 | - | - | 56,294,436 | 54,957,386 |
| Deferred tax assets | 9 | 26,947 | 1,598,287 | - | - |
| Trade and other receivables | 10 | - | - | 3,846,150 | 3,603,050 |
| | | 101,047,277 | 85,364,187 | 60,140,586 | 58,560,436 |
| Current assets | | | | | |
| Other investments | 11 | 6,641,147 | 5,354,783 | - | - |
| Inventories | 12 | 12,349,674 | 8,545,097 | - | - |
| Current tax assets | | 22,763 | - | - | - |
| Trade and other receivables | 10 | 29,297,003 | 24,064,095 | 35,123,389 | 17,407,013 |
| Prepayments | | 135,096 | 170,461 | - | - |
| Cash and cash equivalents | 13 | 37,032,486 | 36,146,284 | 1,362,118 | 2,145,426 |
| | | 85,478,169 | 74,280,720 | 36,485,507 | 19,552,439 |
| Total assets | | 186,525,446 | 159,644,907 | 96,626,093 | 78,112,875 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 14 | 91,174,546 | 60,000,000 | 91,174,546 | 60,000,000 |
| Reserves | 15 | 63,250,051 | 75,838,529 | 4,934,718 | 17,730,436 |
| Equity attributable to owners of the Company | | 154,424,597 | 135,838,529 | 96,109,264 | 77,730,436 |
| Non-controlling interests | | (5,160) | (26,200) | - | - |
| Total equity | | 154,419,437 | 135,812,329 | 96,109,264 | 77,730,436 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Loans and borrowings | 16 | 5,842,455 | 2,094,041 | - | - |
| Deferred tax liabilities | 9 | 862,754 | 3,054,466 | - | - |
| | | 6,705,209 | 5,148,507 | - | - |
| Current liabilities | | | | | |
| Loans and borrowings | 16 | 1,025,484 | 971,968 | - | - |
| Trade and other payables | 17 | 22,925,489 | 16,770,992 | 397,579 | 354,083 |
| Current tax liabilities | | 1,449,827 | 941,111 | 119,250 | 28,356 |
| | | 25,400,800 | 18,684,071 | 516,829 | 382,439 |
| Total liabilities | | 32,106,009 | 23,832,578 | 516,829 | 382,439 |
| Total equity and liabilities | | 186,525,446 | 159,644,907 | 96,626,093 | 78,112,875 |

The accompanying notes form an integral part of these financial statements

Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2014

| | Note | Group | | Company | |
|---|------|--------------|--------------|------------|-----------|
| | | 2014 | 2013 | 2014 | 2013 |
| | | RM | RM | RM | RM |
| Revenue | 18 | 149,524,306 | 126,426,372 | 19,801,201 | 4,000,001 |
| Cost of sales | | (85,798,896) | (75,139,390) | - | - |
| Gross profit | | 63,725,410 | 51,286,982 | 19,801,201 | 4,000,001 |
| Other income | | 3,726,988 | 3,681,938 | 2,186,411 | 2,119,141 |
| Selling and distribution expenses | | (27,288,833) | (22,609,663) | - | - |
| Administrative expenses | | (13,607,770) | (11,361,944) | (961,589) | (676,773) |
| Profit from operating activities | | 26,555,795 | 20,997,313 | 21,026,023 | 5,442,369 |
| Finance income | 20 | 264,287 | 272,415 | 2,013,653 | 1,083,365 |
| Finance costs | 21 | (407,024) | (437,904) | (72) | (63) |
| Share of loss of equity-accounted investee | | (128,214) | (186,538) | - | - |
| Profit before tax | 19 | 26,284,844 | 20,645,286 | 23,039,604 | 6,525,671 |
| Income tax expense | 22 | (5,355,670) | (4,483,906) | (357,370) | (169,142) |
| Net Profit for the year | | 20,929,174 | 16,161,380 | 22,682,234 | 6,356,529 |
| Other comprehensive income, net of tax: | | | | | |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | | | | |
| Foreign currency translation differences for foreign operations | 23 | 1,981,340 | 3,014,487 | - | - |
| Total comprehensive income for the year | | 22,910,514 | 19,175,867 | 22,682,234 | 6,356,529 |
| Net profit for the financial year attributable to: | | | | | |
| Owners of the Company | | 20,908,134 | 16,175,642 | 22,682,234 | 6,356,529 |
| Non-controlling interests | | 21,040 | (14,262) | - | - |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 22,889,474 | 19,190,129 | 22,682,234 | 6,356,529 |
| Non-controlling interests | | 21,040 | (14,262) | - | - |
| Earning per ordinary share: | | | | | |
| Basic | 24 | 11.51 | 8.95 | | |
| Diluted | 24 | 9.90 | N/A | | |

Statement of Changes in Equity

for the financial year ended 31 December 2014

| Group | |
|---|--|
| Balance at 1 January 2013 | |
| Net profit for the financial year | |
| Other comprehensive income for the financial year | |
| | |
| Total comprehensive income for the financial year | |
| Contributions by and distributions to owners | |
| - dividends to owners of the Company | |
| Balance at 31 December 2013/1 January 2014 | |
| Net profit for the financial year | |
| Other comprehensive income for the financial year | |
| | |
| Total comprehensive income for the financial year | |
| Contributions by and distributions to owners | |
| - issuance of shares pursuant to warrant conversion | |
| - bonus issue | |
| - dividends to owners of the Company | |
| Balance at 31 December 2014 | |

| Attributable to owners of the Company | | | |
|---------------------------------------|---------------|---------------|---------------------|
| Non-distributable | | | |
| | Share capital | Share premium | Translation reserve |
| Note | RM | RM | RM |
| | 60,000,000 | - | 321,896 |
| | - | - | - |
| | - | - | 3,014,487 |
| | - | - | 3,014,487 |
| 25 | - | - | - |
| | 60,000,000 | - | 3,336,383 |
| | - | - | - |
| | - | - | 1,981,340 |
| | - | - | 1,981,340 |
| 14 | 783,033 | 1,409,458 | - |
| 14&15 | 30,391,513 | (1,409,458) | - |
| 25 | - | - | - |
| | 91,174,546 | - | 5,317,723 |

| Distributable | | Equity attributable to the owners of the Company | Non-controlling interests | Total equity |
|----------------------|--|--|------------------------------|-----------------|
| Retained earnings | | | | |
| RM | | RM | RM | RM |
| 58,486,504 | | 118,808,400 | (11,938) | 118,796,462 |
| 16,175,642 | | 16,175,642 | (14,262) | 16,161,380 |
| - | | 3,014,487 | - | 3,014,487 |
| 16,175,642 | | 19,190,129 | (14,262) | 19,175,867 |
| (2,160,000) | | (2,160,000) | - | (2,160,000) |
| 72,502,146 | | 135,838,529 | (26,200) | 135,812,329 |
| 20,908,134 | | 20,908,134 | 21,040 | 20,929,174 |
| - | | 1,981,340 | - | 1,981,340 |
| 20,908,134 | | 22,889,474 | 21,040 | 22,910,514 |
| - | | 2,192,491 | - | 2,192,491 |
| (28,982,055) | | - | - | - |
| (6,495,897) | | (6,495,897) | - | (6,495,897) |
| 57,932,328 | | 154,424,597 | (5,160) | 154,419,437 |

Statement of Changes in Equity

for the financial year ended 31 December 2014

Non-distributable Distributable

| Company | Note | Share capital | Share premium | Retained earnings | Total |
|---|-------|---------------|---------------|-------------------|-------------|
| | | RM | RM | RM | RM |
| Balance at 1 January 2013 | | 60,000,000 | - | 13,533,907 | 73,533,907 |
| Total comprehensive income for the financial year | | - | - | 6,356,529 | 6,356,529 |
| Contributions by and distributions to owners | | | | | |
| - dividends to owners of the Company | 25 | - | - | (2,160,000) | (2,160,000) |
| Balance at 31 December 2013/1 January 2014 | | 60,000,000 | - | 17,730,436 | 77,730,436 |
| Total comprehensive income for the financial year | | - | - | 22,682,234 | 22,682,234 |
| Contributions by and distributions to owners | | | | | |
| - issuance of shares pursuant to warrant conversion | 14 | 783,033 | 1,409,458 | - | 2,192,491 |
| - bonus issue | 14&15 | 30,391,513 | (1,409,458) | (28,982,055) | - |
| - dividends to owner of the Company | 25 | - | - | (6,495,897) | (6,495,897) |
| Balance at 31 December 2014 | | 91,174,546 | - | 4,934,718 | 96,109,264 |

Statements of Cash Flows

for the financial year ended 31 December 2014

| | Note | Group | | Company | |
|---|------|-------------------|-------------------|---------------------|------------------|
| | | 2014 | 2013 | 2014 | 2013 |
| | | RM | RM | RM | RM |
| Cash flows from operating activities | | | | | |
| Profit before tax | | 26,284,844 | 20,645,286 | 23,039,604 | 6,525,671 |
| Adjustments for: | | | | | |
| Amortisation for prepaid lease payments | 6 | 72,316 | 69,453 | - | - |
| Depreciation of investment properties | 5 | 51,992 | 51,585 | - | - |
| Depreciation of property, plant and equipment | 4 | 6,268,020 | 6,123,860 | - | - |
| Dividend income | | - | - | (19,801,201) | (4,000,001) |
| Finance income | 20 | (264,287) | (272,415) | (2,013,653) | (1,083,365) |
| Interest expense | 21 | 132,650 | 176,865 | - | - |
| Gain on disposal of property, plant and equipment | 19 | (12,593) | (110,791) | - | - |
| Share of loss of equity-accounted investee | | 128,214 | 186,538 | - | - |
| Net impairment loss on financial assets | | 814,800 | - | - | - |
| Unrealised foreign exchange differences | | (865,870) | (664,941) | (2,099,638) | (2,119,141) |
| Operating profit/(loss) before working capital changes | | 32,610,086 | 26,205,440 | (874,888) | (676,836) |
| Change in working capital: | | | | | |
| Inventories | | (3,804,577) | (2,634,008) | - | - |
| Trade and other receivables, prepayments and other financial assets | | (5,153,936) | (14,029) | (15,216,703) | 719,073 |
| Trade and other payables | | 5,992,967 | 1,030,264 | 43,496 | 42,224 |
| Cash generated from/(used in) operations | | 29,644,540 | 24,587,667 | (16,048,095) | 84,461 |
| Dividend received | | - | - | 19,801,201 | 4,000,001 |
| Income tax paid | | (5,379,354) | (4,304,667) | (267,479) | (145,563) |
| Income tax refund | | 78,253 | 1,738,880 | 1,003 | 255,498 |
| Net cash from operating activities | | 24,343,439 | 22,021,880 | 3,486,630 | 4,194,397 |

Statements of Cash Flows

for the financial year ended 31 December 2014 • continued

| | Note | Group | | Company | |
|---|------|---------------------|--------------------|--------------------|--------------------|
| | | 2014 | 2013 | 2014 | 2013 |
| | | RM | RM | RM | RM |
| Cash flows from investing activities | | | | | |
| Acquisition of property, plant and equipment | 4 | (22,448,990) | (5,284,215) | - | - |
| Proceeds from disposal of property, plant and equipment | | 92,086 | 207,236 | - | - |
| Finance income from deposits | | 264,287 | 272,415 | 33,468 | 38,185 |
| Investment in quoted shares | | (2,035,600) | - | - | - |
| Changes in investment in unit trusts | | (65,564) | (3,774,173) | - | - |
| Net cash (used in)/from investing activities | | (24,193,781) | (8,578,737) | 33,468 | 38,185 |
| Cash flows from financing activities | | | | | |
| Dividends paid to owner of the Company | 25 | (6,495,897) | (2,160,000) | (6,495,897) | (2,160,000) |
| Proceeds from issuance of shares | | 2,192,491 | - | 2,192,491 | - |
| Repayment of loans and borrowings | | (970,885) | (924,897) | - | - |
| Drawdown of loans and borrowings | | 4,772,815 | - | - | - |
| Finance costs on loans and borrowings | 21 | (132,650) | (176,865) | - | - |
| Net cash used in financing activities | | (634,126) | (3,261,762) | (4,303,406) | (2,160,000) |
| Net (decrease)/increase in cash and cash equivalents | | (484,468) | 10,181,381 | (783,308) | 2,072,582 |
| Effect of exchange rate fluctuation on cash held | | 1,370,670 | 351,091 | - | - |
| Cash and cash equivalents at 1 January | | 36,146,284 | 25,613,812 | 2,145,426 | 72,844 |
| Cash and cash equivalents at 31 December | 13 | 37,032,486 | 36,146,284 | 1,362,118 | 2,145,426 |

Notes to the Financial Statements

for the financial year ended 31 December 2014

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Unit 07-02, Level 7 Persoft Tower, 6B Persiaran Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The principal place of business of the Company is located at Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia.

The Company is principally engaged in investment holding activities while the other Group entities are primarily involved in the manufacturing, sale, trading and distribution of frozen food products.

The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in a jointly controlled entity. The financial statements of the Company as at and for the year ended 31 December 2014 do not include other entities.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 April 2015.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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

| Description | Effective for annual periods beginning on or after |
|--|--|
| Amendments to MFRS 119, <i>Employee Benefits:</i> <i>Defined Benefit Plans - Employee Contributions</i> | 1 July 2014 |
| Annual Improvements to MFRSs 2010–2012 Cycle | 1 July 2014 |
| Annual Improvements to MFRSs 2011–2013 Cycle | 1 July 2014 |
| MFRS 14, <i>Regulatory Deferral Accounts</i> | 1 January 2016 |
| Amendments to MFRS 116, <i>Property, Plant and Equipment</i> and MFRS 138, <i>Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation</i> | 1 January 2016 |
| Amendments to MFRS 116, <i>Property, Plant and Equipment</i> and MFRS 141, <i>Agriculture - Agriculture: Bearer Plants</i> | 1 January 2016 |
| Amendments to MFRS 127, <i>Consolidated and Separate Financial Statements</i> - <i>Equity Method in Separate Financial Statements</i> | 1 January 2016 |
| Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investment in Associates - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | 1 January 2016 |
| Amendments to MFRS 11, <i>Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations</i> | 1 January 2016 |
| Amendments to MFRS 7, <i>Financial Instruments - Disclosures</i> | 1 January 2016 |
| Annual Improvements to MFRSs 2012–2014 Cycle | 1 January 2016 |
| Amendments to MFRS 101, <i>Disclosure Initiative</i> | 1 January 2016 |
| Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 12, <i>Investment Entities: Applying the Consolidation Exception</i> | 1 January 2016 |
| MFRS 15, <i>Revenue from Contracts with Customers</i> | 1 January 2017 |
| MFRS 9, <i>Financial Instruments</i> | 1 January 2018 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

2. BASIS OF PREPARATION *continued*

(a) Statement of compliance *continued*

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

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfer of Assets from Customers and IC Interpretation 131 Revenue – Barter Transactions Involving Advertising Services. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The Group is currently assessing the financial impact of adopting MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of the financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The Group is currently examining the financial impact of adopting MFRS 9.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(d) Significant accounting judgements and estimates

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

Judgements made in applying accounting policies

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

Determination of functional currency

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

2. BASIS OF PREPARATION *continued*

(d) Significant accounting judgements and estimates *continued*

Key sources of estimation uncertainty

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

(i) Useful lives of property, plant and equipment

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

(ii) Impairment of non-financial assets

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

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

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

(iii) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of loans and receivables is disclosed in Note 27(a).

(iv) Taxes

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

The carrying amount of current tax assets at 31 December 2014 is RM22,763 (2013 : Nil) and Nil (2013 : Nil) of the Group and of the Company, respectively.

The carrying amount of current tax liabilities at 31 December 2014 is RM1,449,827 (2013 : RM941,111) and RM119,250 (2013 : RM28,356) of the Group and of the Company, respectively.

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

2. BASIS OF PREPARATION *continued*

(d) Significant accounting judgements and estimates *continued*

Key sources of estimation uncertainty *continued*

(iv) Taxes *continued*

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

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group has unrecognised tax losses carried forward amounting RM221,292 (2013 : RM171,210). These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. If the Group was able to recognise all unrecognised losses carried forward, profit would increase by RM12,521 (2013 : RM4,535).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted, as set out below, are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning as at 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and of the Company.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

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

(ii) Business combinations

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

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

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(a) Basis of consolidation *continued*

(ii) Business combinations *continued*

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.

(iii) Acquisition of non-controlling interests

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

(iv) Loss of control

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

(v) Jointly-controlled entities

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

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

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

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(b) Foreign currency

(i) Foreign currency transaction

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

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

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

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

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

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

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

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(c) Financial instruments *continued*

(ii) Financial instrument categories and subsequent measurement

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

Financial assets

a) Financial assets at fair value through profit or loss

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

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

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

b) Held-to-maturity investments

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

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

c) Loans and receivables

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

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

d) Available-for-sale financial assets

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

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

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

Financial liabilities

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

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(c) Financial instruments *continued*

(iii) Financial guarantee contracts

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

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

(iv) Regular way purchase or sale of financial assets

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the trade date; and
- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(d) Property, plant and equipment *continued*

(i) Recognition and measurement *continued*

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

| | |
|--|---------------|
| Buildings | 50 years |
| Apartments | 50 years |
| Motor vehicles | 10 years |
| Furniture, fittings and office equipment | 5 to 10 years |
| Plants and machinery | 10 years |
| Renovation | 10 years |
| Signage | 10 years |

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

(e) Leased assets

(i) Finance lease

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(e) Leased assets *continued*

(i) Finance lease *continued*

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

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

(ii) Operating lease

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

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

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

(f) Goodwill

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

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

(g) Investment properties

(i) Investment properties carried at cost

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

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

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(g) Investment properties *continued*

(ii) Determination of fair value

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

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

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

Valuations reflect, where appropriate:

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

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

(h) Inventories

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

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

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

(i) Cash and cash equivalents

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(j) Impairment

(i) Financial asset

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

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

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

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

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

(ii) Other assets

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(j) Impairment *continued*

(ii) Other assets *continued*

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

(k) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(l) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(m) Provisions

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

(n) Revenue and other income

(i) Goods sold

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

(ii) Dividend income

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(n) Revenue and other income *continued*

(iii) Rental income

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

(iv) Finance income

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

(o) Borrowing costs

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

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

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

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

(p) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying 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 either accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

3. SIGNIFICANT ACCOUNTING POLICIES *continued*

(p) Income tax *continued*

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

(q) Earnings per ordinary share

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

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

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

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the 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.

(s) 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.

(t) Fair value measurements

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

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

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

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

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

Level 3: unobservable inputs for the asset or liability.

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

4. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Apartments | Motor vehicles |
|---|------------|------------|------------|----------------|
| Group | RM | RM | RM | RM |
| Cost | | | | |
| At 1 January 2013 | 22,801,710 | 22,096,277 | 980,367 | 2,947,670 |
| Additions | - | - | - | 1,027,286 |
| Disposals | - | - | - | (826,026) |
| Effect of movement in exchange rates | - | 1,538,370 | 47,600 | 55,814 |
| Reclassification | - | - | - | - |
| At 31 December 2013/ 1 January 2014 | 22,801,710 | 23,634,647 | 1,027,967 | 3,204,744 |
| Additions | - | - | - | 282,128 |
| Disposals | - | - | (33,804) | (273,139) |
| Effect of movement in exchange rates | - | 682,021 | 21,103 | 30,343 |
| Reclassification | - | - | - | - |
| At 31 December 2014 | 22,801,710 | 24,316,668 | 1,015,266 | 3,244,076 |
| Accumulated depreciation | | | | |
| At 1 January 2013 | 888,179 | 2,143,512 | 153,926 | 1,504,280 |
| Charge for the financial year | 269,714 | 467,591 | 19,957 | 368,425 |
| Disposals | - | - | - | (816,171) |
| Effect of movement in exchange rates | - | 105,590 | 5,001 | 28,898 |
| Reclassification | - | 23,664 | (23,664) | - |
| At 31 December 2013/ 1 January 2014 | 1,157,893 | 2,740,357 | 155,220 | 1,085,432 |
| Charge for the financial year | 269,714 | 480,380 | 20,136 | 377,856 |
| Disposals | - | - | (4,564) | (252,137) |
| Effect of movement in exchange rates | - | 59,601 | 2,597 | 16,951 |
| At 31 December 2014 | 1,427,607 | 3,280,338 | 173,389 | 1,228,102 |
| Net carrying amounts | | | | |
| At 31 December 2013 | 21,643,817 | 20,894,290 | 872,747 | 2,119,312 |
| At 31 December 2014 | 21,374,103 | 21,036,330 | 841,877 | 2,015,974 |

| Furniture, fittings and office equipment | Plant and machinery | Renovation | Signage | Capital work-in-progress | Total |
|--|---------------------|------------|---------|--------------------------|-------------|
| RM | RM | RM | RM | RM | RM |
| 4,798,200 | 47,435,699 | 4,894,973 | 39,800 | 1,175,911 | 107,170,607 |
| 133,648 | 865,231 | 55,686 | - | 3,202,364 | 5,284,215 |
| (58,687) | (112,106) | (23,600) | - | - | (1,020,419) |
| 101,145 | 1,310,722 | - | - | - | 3,053,651 |
| - | 1,680,187 | - | - | (1,680,187) | - |
| 4,974,306 | 51,179,733 | 4,927,059 | 39,800 | 2,698,088 | 114,488,054 |
| 403,839 | 914,669 | 30,260 | - | 20,818,094 | 22,448,990 |
| (1,176,944) | (17,407) | - | - | - | (1,501,294) |
| 45,995 | 592,356 | - | - | - | 1,371,818 |
| - | 2,616,425 | - | - | (2,616,425) | - |
| 4,247,196 | 55,285,776 | 4,957,319 | 39,800 | 20,899,757 | 136,807,568 |
| 2,746,082 | 21,490,151 | 1,864,553 | 22,502 | - | 30,813,185 |
| 463,735 | 4,040,701 | 489,757 | 3,980 | - | 6,123,860 |
| (45,636) | (55,284) | (6,883) | - | - | (923,974) |
| 33,833 | 197,664 | - | - | - | 370,986 |
| - | - | - | - | - | - |
| 3,198,014 | 25,673,232 | 2,347,427 | 26,482 | - | 36,384,057 |
| 435,282 | 4,187,021 | 493,651 | 3,980 | - | 6,268,020 |
| (1,157,617) | (7,483) | - | - | - | (1,421,801) |
| 19,563 | 139,848 | - | - | - | 238,560 |
| 2,495,242 | 29,992,618 | 2,841,078 | 30,462 | - | 41,468,836 |
| 1,776,292 | 25,506,501 | 2,579,632 | 13,318 | 2,698,088 | 78,103,997 |
| 1,751,954 | 25,293,158 | 2,116,241 | 9,338 | 20,899,757 | 95,338,732 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

4. PROPERTY, PLANT AND EQUIPMENT *continued*

(a) Land

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

(b) Apartments

The strata title for apartments with net carrying amounts of RM192,485 (2013: RM197,473) have yet to be issued to a subsidiary.

(c) Security

Buildings with net carrying amounts of RM5,831,062 (2013: RM5,988,344) are assigned to licensed banks for banking facilities granted to a subsidiary (Note 16).

Leasehold land with net carrying amounts of RM21,374,103 (2013: RM7,179,092) have been assigned to licensed banks for banking facilities granted to a subsidiary. (Note 16).

5. INVESTMENT PROPERTIES

| | Group | |
|--------------------------------------|-----------|-----------|
| | 2014 | 2013 |
| | RM | RM |
| Cost | | |
| At 1 January | 3,280,445 | 3,229,593 |
| Effect of movement in exchange rates | 22,545 | 50,852 |
| At 31 December | 3,302,990 | 3,280,445 |
| Accumulated depreciation | | |
| At 1 January | 605,045 | 550,714 |
| Charge for the financial year | 51,992 | 51,585 |
| Effect of movement in exchange rates | 1,623 | 2,746 |
| At 31 December | 658,660 | 605,045 |
| Net carrying amounts | | |
| At 31 December | 2,644,330 | 2,675,400 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

5. INVESTMENT PROPERTIES *continued*

Represented by:

| | Group | |
|--|------------------|------------------|
| | 2014 | 2013 |
| | RM | RM |
| Freehold land | 78,000 | 78,000 |
| Leasehold land with unexpired lease period of more than 50 years | 1,002,797 | 1,015,559 |
| Buildings | 1,045,205 | 1,074,182 |
| Apartments | 518,328 | 507,659 |
| | 2,644,330 | 2,675,400 |

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

| | Group | |
|--------------------|-------------------|-------------------|
| | 2014 | 2013 |
| | RM | RM |
| <i>Fair values</i> | | |
| At 31 December | 10,835,447 | 11,650,830 |

The Group estimates the fair value of its investment properties based on the following key assumptions:

- the comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities; or
- enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

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

Significant observable inputs other than quoted prices (Level 2)

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

Significant unobservable inputs (Level 3)

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

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

| | Group | |
|---|---------------|---------------|
| | 2014 | 2013 |
| | RM | RM |
| Rental income | 415,602 | 382,358 |
| Direct operating expenses | | |
| - income generating investment properties | 40,839 | 40,626 |

Investment property of the Group amounting to RM1,818,750 (2013: RM1,854,282) has been assigned to a licensed bank for credit facilities granted to a subsidiary (Note 16).

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

6. PREPAID LEASE PAYMENTS

| | Group | |
|---|-----------|-----------|
| | 2014 | 2013 |
| | RM | RM |
| Cost | | |
| At 1 January | 3,472,677 | 3,149,862 |
| Effect of movement in exchange rates | 143,117 | 322,815 |
| At 31 December | 3,615,794 | 3,472,677 |
| Accumulated amortisation | | |
| At 1 January | 486,174 | 377,983 |
| Charge for the financial year | 72,316 | 69,453 |
| Effect of movement in exchange rates | 20,036 | 38,738 |
| At 31 December | 578,526 | 486,174 |
| Net carrying amounts | | |
| At 31 December | 3,037,268 | 2,986,503 |
| Amount to be amortised: | | |
| - not later than one year | 72,316 | 69,453 |
| - later than one year but not later than five years | 289,264 | 277,812 |
| - later than five years | 2,675,688 | 2,639,238 |

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 42 (2013: 43) years.

7. INVESTMENT IN SUBSIDIARIES

| | Group | |
|-----------------------------------|------------|------------|
| | 2014 | 2013 |
| | RM | RM |
| Unquoted shares - at cost | 35,395,614 | 35,395,614 |
| Less: Accumulated impairment loss | (255,000) | (255,000) |
| | 35,140,614 | 35,140,614 |
| Capital contribution | 21,153,822 | 19,816,772 |
| | 56,294,436 | 54,957,386 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

7. INVESTMENT IN SUBSIDIARIES *continued*

Details of subsidiaries are as follows:

| Subsidiaries of the Company | Effective ownership interest | | Country of incorporation | Principal activities |
|---|------------------------------|------|--------------------------------|---|
| | 2014 | 2013 | | |
| Kawan Food Manufacturing Sdn. Bhd. | 100% | 100% | Malaysia | Manufacturing and sales of frozen food products |
| KG Pastry Marketing Sdn. Bhd. | 100% | 100% | Malaysia | Trading and distribution of frozen food products |
| Kawan Food Confectionery Sdn. Bhd. | 100% | 100% | Malaysia | Trading and distribution of frozen food products |
| Kayangan Manisan (M) Sdn. Bhd. | 51% | 51% | Malaysia | Trading and distribution of frozen food products |
| *Kawan Food (Hong Kong) Limited | 100% | 100% | Hong Kong | Trading and distribution of frozen food products |
| Subsidiary of Kawan Food (Hong Kong) Limited | | | | |
| *Kawan Food (Nantong) Co., Ltd | 100% | 100% | The People's Republic of China | Manufacturing and trading of frozen food delicacies |

*Not audited by Cheng & Co

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

The Group does not have material non-controlling interests as at end of the reporting date.

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

8. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

| | Group | |
|------------------------------------|-----------|-----------|
| | 2014 | 2013 |
| | RM | RM |
| Unquoted shares - at cost | 100,000 | 100,000 |
| Share of post-acquisition reserves | (100,000) | (100,000) |
| | - | - |

Details of the jointly controlled entity are as follows:

| Jointly controlled entity | Effective ownership interest | | Country of incorporation | Principal activities |
|-------------------------------|------------------------------|------|--------------------------|--|
| | 2014 | 2013 | | |
| Hot & Go Management Sdn. Bhd. | 50% | 50% | Malaysia | Operation of kiosk for food and beverage |

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

| | Group | |
|--|---------|---------|
| | 2014 | 2013 |
| | RM | RM |
| Revenue (100%) | 328,199 | 223,850 |
| Net loss for the financial year (100%) | 360,701 | 375,337 |
| Total assets (100%) | 416,331 | 464,498 |
| Total liabilities (100%) | 970,604 | 658,070 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

9. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|--|-------------|-----------|-------------|-------------|-------------|-------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM | RM | RM |
| Group | | | | | | |
| Property, plant and equipment | - | - | (2,751,231) | (2,811,245) | (2,751,231) | (2,811,245) |
| Inventories | - | 137,771 | - | - | - | 137,771 |
| Provisions | 1,978,485 | 1,238,597 | - | - | 1,978,485 | 1,238,597 |
| Other deductible temporary differences | 224,193 | 221,919 | (287,254) | (243,221) | (63,061) | (21,302) |
| Deferred tax assets/(liabilities) | 2,202,678 | 1,598,287 | (3,038,485) | (3,054,466) | (835,807) | (1,456,179) |
| Set off | (2,175,731) | - | 2,175,731 | - | - | - |
| Net deferred tax assets/(liabilities) | 26,947 | 1,598,287 | (862,754) | (3,054,466) | (835,807) | (1,456,179) |

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the followings items (stated at gross):

| | Group | |
|--|---------|---------|
| | 2014 | 2013 |
| | RM | RM |
| Property, plant and equipment | (1,745) | (913) |
| Tax losses carry forward | 221,292 | 171,210 |
| Capital allowances carry forward | 51,540 | 101,536 |
| Other deductible temporary differences | 8,010 | 13,116 |
| | 279,097 | 284,949 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

9. DEFERRED TAX ASSETS/(LIABILITIES) continued

Movement in temporary difference during the year

| | At 1.1.2013 | Recognised in profit or loss (Note 22) | Recognised in other comprehensive income (Note 23) | At 31.12.2013/ 1.1.2014 | Recognised in profit or loss (Note 22) | Recognised in other comprehensive income (Note 23) | At 31.12.2014 |
|---|----------------|---|--|-------------------------------|---|--|------------------|
| | RM | RM | RM | RM | RM | RM | RM |
| Group | | | | | | | |
| Property, plant and equipment | (2,893,497) | 82,277 | (25) | (2,811,245) | 60,052 | (38) | (2,751,231) |
| Inventories | 41,656 | 96,115 | - | 137,771 | (137,771) | - | - |
| Provisions | 1,111,880 | 122,431 | 4,286 | 1,238,597 | 740,087 | (199) | 1,978,485 |
| Tax losses carry forward | 62,630 | (62,630) | - | - | - | - | - |
| Other deductible temporary differences | (123,129) | 102,627 | (800) | (21,302) | (39,577) | (2,182) | (63,061) |
| Deferred tax (liabilities)/assets | (1,800,460) | 340,820 | 3,461 | (1,456,179) | 622,791 | (2,419) | (835,807) |
| Company | | | | | | | |
| Other deductible temporary differences | (135,295) | 135,295 | - | - | - | - | - |

10. TRADE AND OTHER RECEIVABLES

| | Group | |
|--------------------------|------------|------------|
| | 2014 | 2013 |
| | RM | RM |
| Current | | |
| Trade | | |
| Trade receivables | 28,638,645 | 23,058,235 |
| Allowance for impairment | - | (92,972) |
| | 28,638,645 | 22,965,263 |
| Non-trade | | |
| Other receivables | 658,358 | 1,098,832 |
| Total | 29,297,003 | 24,064,095 |
| | Company | |
| | 2014 | 2013 |
| | RM | RM |
| Non-current | | |
| Non-trade | | |
| Advances to subsidiaries | 3,846,150 | 3,603,050 |
| Current | | |
| Non-trade | | |
| Advances to subsidiaries | 35,122,389 | 17,404,813 |
| Other receivables | 1,000 | 2,200 |
| | 35,123,389 | 17,407,013 |
| Total | 38,969,539 | 21,010,063 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

10. TRADE AND OTHER RECEIVABLES *continued*

Trade receivables

Included in trade receivables of the Group is an amount of RM5,228,465 (2013: RM1,688,685) due from companies in which certain Directors have interests and held directorship.

Advances to subsidiaries

Advances to subsidiaries of RM26,560,185 (2013: RM 8,641,395) are unsecured, subject to interest at BLR of 6.6% - 6.85% (2013: BLR 6.6%) and repayable on demand. The remaining advances to subsidiaries bear interest at 5% (2013: 5%) per annum are repayable as follows:

| | Year of Maturity | Total | Less than 1 year | 1-2 years | 2-5 years |
|----------------------------|------------------|-------------------|------------------|-----------|------------------|
| | | RM | RM | RM | RM |
| 2014 | | | | | |
| Agreement date | | | | | |
| 22 October 2014 (renewal) | 2015 | 3,939,166 | 3,939,166 | - | - |
| 22 October 2013 | 2018 | 1,772,621 | 199,196 | - | 1,573,425 |
| 5 December 2013 | 2018 | 2,560,452 | 287,727 | - | 2,272,725 |
| 22 December 2014 (renewal) | 2015 | 4,136,115 | 4,136,115 | - | - |
| | | 12,408,354 | 8,562,204 | - | 3,846,150 |
| 2013 | | | | | |
| Agreement date | | | | | |
| 22 October 2013 (renewal) | 2014 | 3,920,618 | 3,920,618 | - | - |
| 22 October 2013 (renewal) | 2018 | 1,882,443 | 408,468 | - | 1,473,975 |
| 5 December 2013 (renewal) | 2018 | 2,467,634 | 338,559 | - | 2,129,075 |
| 22 December 2013 (renewal) | 2014 | 4,095,773 | 4,095,773 | - | - |
| | | 12,366,468 | 8,763,418 | - | 3,603,050 |

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11. OTHER INVESTMENTS

| | Group | |
|---|------------------|------------------|
| | 2014 | 2013 |
| | RM | RM |
| Financial assets at fair value through profit or loss | | |
| - held for trading: Shares (Quoted) | 1,220,800 | - |
| : Unit trusts (Quoted) | 5,420,347 | 5,354,783 |
| | 6,641,147 | 5,354,783 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

12. INVENTORIES

| | Group | |
|---|-------------------|-------------------|
| | 2014 | 2013 |
| | RM | RM |
| At cost | | |
| Raw materials | 1,108,157 | 977,490 |
| Packaging materials | 2,216,706 | 2,187,150 |
| Finished goods | 9,024,811 | 5,380,457 |
| | 12,349,674 | 8,545,097 |
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | 85,798,896 | 75,139,390 |

13. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|-------------------------------------|-------------------|-------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Deposits placed with licensed banks | 4,667,843 | 6,182,125 | 1,362,118 | 2,145,426 |
| Cash and bank balances | 32,364,643 | 29,964,159 | - | - |
| | 37,032,486 | 36,146,284 | 1,362,118 | 2,145,426 |

Deposits placed with licensed banks of the Group and of the Company comprise placements in fixed income trusts of which RM2,082,416 (2013: RM2,440,968) and RM309,897 (2013: RM415,501) respectively are redeemable at call whereas RM2,585,427 (2013: RM3,741,157) and RM1,052,221 (2013: RM1,729,925) respectively are redeemable upon 7 days notice.

These deposits are subject interest at rate ranging from 2.28% to 3.27% (2013: 2.03% - 3.02%) per annum.

14. SHARE CAPITAL

| | Group and Company | | | |
|---|----------------------|--------------------|--------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | | | RM | RM |
| Number of ordinary shares of RM0.50 each | | | | |
| Authorised | 1,000,000,000 | 200,000,000 | 500,000,000 | 100,000,000 |
| Issued and fully paid: | | | | |
| At beginning of financial year | 120,000,000 | 120,000,000 | 60,000,000 | 60,000,000 |
| Allotment of shares pursuant to | | | | |
| - warrants exercised | 1,566,065 | - | 783,033 | - |
| - bonus issue of RM0.50 each | 60,783,026 | - | 30,391,513 | - |
| At end of financial year | 182,349,091 | 120,000,000 | 91,174,546 | 60,000,000 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

14. SHARE CAPITAL continued

The issued and paid-up ordinary share capital of the Company was increased from RM60,000,000 to RM91,174,546 during the financial year through the following:

(a) Exercise of warrants 2011/2016

Issuance of 1,566,065 ordinary shares of RM0.50 each through the conversion of 1,566,065 warrants at an exercise price of RM1.40 per warrant from 28 January 2014 to 15 December 2014; and

(b) Bonus issue

On 22 December 2014, the Company has increased its issued and paid-up share capital by way of a bonus issue of 60,783,026 new ordinary shares of RM0.50 each credited as fully paid-up on the basis of 1 bonus share for every 2 existing ordinary shares held, through the capitalisation of RM1,409,458 from share premium of the Company and RM28,982,055 from retained earnings of the Company. The bonus shares were listed on the Main Market of Bursa Malaysia Securities Berhad on 23 December 2014.

These new ordinary shares issued rank *pari passu* with the then existing ordinary shares of the Company.

Warrants

On 28 July 2011, the Company issued 60,000,000 free warrants on the basis of one (1) free warrant for every two (2) existing ordinary shares of RM0.50 each held by the entitled shareholders of the Company.

The warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 3 August 2011.

The terms of the warrants are as follows:

- (a) Exercise rights - each warrant carries the entitlement, at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price, subject to the adjustments accordance with the provisions of the Deed Poll.
- (b) Exercise period - the exercise price of the warrants has been fixed at RM1.40 per warrant, subject to such adjustment as may be allowed under the Deed Poll.
- (c) Exercise period - the period commencing on and including the day of issuance of the warrants and expiring on the fifth anniversary of the issue date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
- (d) Transferability - the warrants will be transferable at board lot of 100 warrants as determined by Bursa Malaysia Securities Berhad.
- (e) Ranking – the 60,000,000 new ordinary shares to be issued pursuant to the exercise of the warrants will, upon allotment and issue, rank *pari passu* in all respects with the then existing ordinary shares except that such new ordinary shares shall not be entitled for any dividend, rights, allotments and/or other distributions, the entitlement date of which precedes or falls on the date of allotment of the new shares, and will be subject to all the provisions of the Articles of Association of the Company.

Consequential to the bonus issue of shares as mentioned above, the exercise price was adjusted to RM0.93 on 22 December 2014, and on that date, additional 29,216,659 warrants were issued arising from the adjustments made in accordance with the provisions under the Deed Poll constituting the warrants dated 12 July 2011. These additional warrants issued were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 23 December 2014.

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

14. SHARE CAPITAL continued

Warrants continued

Movement in the warrants are as follows:

| | Group and Company Number of warrants | |
|---|---|------------|
| | 2014 | 2013 |
| At beginning of financial year | 60,000,000 | 60,000,000 |
| Exercise during financial year | (1,566,065) | - |
| Adjustment arising from bonus issue of shares | 29,216,659 | - |
| At end of financial year | 87,650,594 | 60,000,000 |

15. RESERVES

| | Group | | Company | |
|---------------------------|------------|------------|-----------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Non-distributable: | | | | |
| Share premium | - | - | - | - |
| Translation reserve | 5,317,723 | 3,336,383 | - | - |
| | 5,317,723 | 3,336,383 | - | - |
| Distributable: | | | | |
| Retained earnings | 57,932,328 | 72,502,146 | 4,934,718 | 17,730,436 |
| | 63,250,051 | 75,838,529 | 4,934,718 | 17,730,436 |

Share premium

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

| | Group and Company | |
|--------------------------------|-------------------|------|
| | 2014 | 2013 |
| | RM | RM |
| At beginning of financial year | - | - |
| Warrant conversion | 1,409,458 | - |
| Bonus issue | (1,409,458) | - |
| At end of financial year | - | - |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

15. 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 RM.

| | Group | |
|--|-----------|-----------|
| | 2014 | 2013 |
| | RM | RM |
| At beginning of financial year | 3,336,383 | 321,896 |
| Foreign currency translation during the year | 1,981,340 | 3,014,487 |
| At end of financial year | 5,317,723 | 3,336,383 |

16. LOANS AND BORROWINGS

| | Group | |
|--|-----------|-----------|
| | 2014 | 2013 |
| | RM | RM |
| Term loans | | |
| Classified as | | |
| - current liabilities | 1,025,484 | 971,968 |
| - non-current liabilities | 5,842,455 | 2,094,041 |
| | 6,867,939 | 3,066,009 |
| Present value of term loans | | |
| Analysed as follow: | | |
| - not later than 1 year | 1,025,484 | 971,968 |
| - later than 1 year but not later than 5 years | 5,842,455 | 2,094,041 |
| | 6,867,939 | 3,066,009 |

The Group's term loans which are secured over leasehold lands and buildings of a subsidiary, are subject to interest at rates ranging from 4.43% to 5.2% (2013: 4.95%)(Notes 4 and 5).

17. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|-------------------------|------------|------------|---------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Trade | | | | |
| Trade payables | 7,479,905 | 7,068,649 | - | - |
| Non-trade | | | | |
| Other payables | 2,089,567 | 1,194,917 | 5,879 | |
| Accruals | 13,022,017 | 8,200,926 | 57,700 | 47,583 |
| Amount due to Directors | 334,000 | 306,500 | 334,000 | 306,500 |
| | 22,925,489 | 16,770,992 | 397,579 | 354,083 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

17. TRADE AND OTHER PAYABLES *continued*

Trade payables

- (i) Credit terms of trade payables are ranging from 30 to 60 (2013: 30 to 60) days.
- (ii) Included in trade payables of the Group is an amount of RM1,410,857 (2013: RM1,705,449) due to companies in which certain Directors have interest and held directorship.

Amount due to Directors

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

18. REVENUE

| | Group | | Company | |
|------------------|-------------|-------------|------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Revenue | | | | |
| - sales of goods | 149,524,306 | 126,426,372 | - | - |
| - dividends | - | - | 19,801,201 | 4,000,001 |
| | 149,524,306 | 126,426,372 | 19,801,201 | 4,000,001 |

19. PROFIT BEFORE TAX

Profit before tax is arrived at:

| | | Group | | Company | |
|---|---|------------|------------|-----------|-----------|
| | | 2014 | 2013 | 2014 | 2013 |
| Note | | RM | RM | RM | RM |
| After charging: | | | | | |
| Auditors' remuneration | | | | | |
| - statutory audit | | 172,020 | 155,297 | 28,000 | 28,000 |
| - other services | | 15,000 | 10,000 | 15,000 | 10,000 |
| Amortisation of prepaid lease payments | 6 | 72,316 | 69,453 | - | - |
| Depreciation of investment properties | 5 | 51,992 | 51,585 | - | - |
| Depreciation of property, plant and equipment | 4 | 6,268,020 | 6,123,860 | - | - |
| Impairment loss on | | | | | |
| - trade receivables | | - | 1,812 | - | - |
| Inventories written off | | 386,583 | 438,812 | - | - |
| Personnel expenses (including key management personnel) | | | | | |
| - wages, salaries and others | | 16,961,905 | 15,699,949 | - | - |
| - contributions to State Plans | | 1,638,837 | 1,440,717 | - | - |
| Rental expenses in respect of | | | | | |
| - coldroom | | 1,144,084 | 508,772 | - | - |
| - equipment | | 98,125 | 62,554 | - | - |
| - hostel | | 24,000 | 22,850 | - | - |
| - premises | | - | 14,800 | - | - |
| And crediting: | | | | | |
| Gain on disposal of property, plant and equipment | | 12,593 | 110,791 | - | - |
| Net unrealised foreign exchange gain | | 865,870 | 664,941 | 2,099,638 | 2,119,141 |
| Realised foreign exchange gain | | 554,492 | 454,914 | - | - |
| Rental income from investment properties | | 415,602 | 382,358 | - | - |
| Rental income from hostel | | 61,800 | 37,650 | - | - |
| Reversal of impairment loss | | | | | |
| - trade receivables | | 49,627 | - | - | - |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

20. FINANCE INCOME

| | Group | | Company | |
|---|---------|---------|-----------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Interest income of financial assets that are not at fair value through profit or loss | 264,287 | 272,415 | 2,013,653 | 1,083,365 |

21. FINANCE COSTS

| | Group | | Company | |
|--|---------|---------|---------|------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Interest expense of financial liabilities that are not at fair value through profit or loss: | | | | |
| Term loans, secured | 132,650 | 176,865 | - | - |
| Other bank charges | 274,374 | 261,039 | 72 | 63 |
| | 407,024 | 437,904 | 72 | 63 |

22. INCOME TAX EXPENSE

Major components of income tax expense

| | Group | | Company | |
|---|-----------|-----------|---------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Current tax | | | | |
| Malaysian - current | 4,841,010 | 3,833,670 | 356,418 | 125,409 |
| - (over)/under provision in prior years | (524,463) | 150,196 | 952 | 179,028 |
| Overseas - current | 1,668,451 | 846,999 | - | - |
| - over provision in prior years | (6,537) | (6,139) | - | - |
| | 5,978,461 | 4,824,726 | 357,370 | 304,437 |
| Deferred tax | | | | |
| Origination and reversal of temporary differences | (616,630) | (8,718) | - | - |
| Over provision in prior years | (6,161) | (332,102) | - | (135,295) |
| | (622,791) | (340,820) | - | (135,295) |
| Total income tax expense | 5,355,670 | 4,483,906 | 357,370 | 169,142 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

22. INCOME TAX EXPENSE *continued*

Reconciliation of effective tax expense

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

| | Group | | Company | |
|--|-------------|------------|-------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Net profit for the year | 20,929,174 | 16,161,380 | 22,682,234 | 6,356,529 |
| Total income tax expense | 5,355,670 | 4,483,906 | 357,370 | 169,142 |
| Profit before tax | 26,284,844 | 20,645,286 | 23,039,604 | 6,525,671 |
| Income tax calculated using | | | | |
| Malaysian tax rate of 25% | 11,521,511 | 5,161,321 | 5,759,901 | 1,631,418 |
| Effect of tax rate in foreign jurisdiction | (620,800) | (413,912) | - | - |
| Non-deductible expenses | 533,049 | 403,761 | 221,806 | 546,830 |
| Non-taxable income | - | - | (534,715) | (918,721) |
| Tax exempt income | (5,130,215) | (173,797) | (5,090,574) | (1,135,547) |
| Tax incentives | (395,665) | (328,011) | - | - |
| Double deduction on qualifying expenditure | (18,200) | (7,169) | - | - |
| Change in unrecognised temporary differences | (1,463) | (123,472) | - | - |
| Other items | 4,614 | 153,230 | - | 1,429 |
| | 5,892,831 | 4,671,951 | 356,418 | 125,409 |
| (Over)/under provision: | | | | |
| - current tax | (531,000) | 144,057 | 952 | 179,028 |
| - deferred tax | (6,161) | (332,102) | - | (135,295) |
| | 5,355,670 | 4,483,906 | 357,370 | 169,142 |

23. OTHER COMPREHENSIVE INCOME

| | 2014 | | | 2013 | | |
|---|------------|-------------|------------|------------|-------------|------------|
| | Before tax | Tax expense | Net of tax | Before tax | Tax benefit | Net of tax |
| | RM | RM | RM | RM | RM | RM |
| Group | | | | | | |
| Foreign currency translation differences for foreign operations | | | | | | |
| - gain arising during the financial year | 1,983,759 | (2,419) | 1,981,340 | 3,011,026 | 3,461 | 3,014,487 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 31 December 2014 was based on the profit attributable to owner of the Company of RM20,908,134 (2013: RM16,175,642) and a weighted average number of ordinary shares outstanding of 181,714,172 (2013: 180,783,026).

The basic earnings per ordinary shares for year ended 31 December 2013 have been restated taking into consideration for bonus share issuance on 22 December 2014.

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2014 was based on the profit attributable to owner of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effect of dilutive potential ordinary shares relating to warrants.

25. DIVIDENDS

| | Sen per share | RM | Date of payment |
|-------------------------------------|---------------|------------------|-----------------|
| 2014 | | | |
| Interim 2014 ordinary - single tier | 1.8 | 2,165,299 | 15 April 2014 |
| Special 2014 ordinary - single tier | 3.6 | 4,330,598 | 15 April 2014 |
| | | <u>6,495,897</u> | |
| 2013 | | | |
| Interim 2013 ordinary - tax exempt | 1.8 | <u>2,160,000</u> | 12 June 2013 |

26. OPERATING SEGMENTS

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

The Group's reportable segments are organised in accordance with the Group entities, which are the Group's strategic business units. The strategic business units offer products to different markets and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews Internal Management Reports at least on a quarterly basis. The principal activities of the Group entities and the markets they operate in (country of incorporation) are as disclosed in Note 7.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's 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 Group's 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.

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

26. OPERATING SEGMENTS *continued*

Group

2014

Segment profit

Included in the measure of segment profit are:

- revenue from external customers
- inter-company revenue

Not included in the measure of segment profit but provided to Chief Executive Officer:

- depreciation and amortisation
- finance costs
- finance income
- income tax expense

Segment assets

Included in the measure of segment assets are:

- additions to non-current assets other than financial instruments and deferred tax assets

2013

Segment profit

Included in the measure of segment profit are:

- revenue from external customers
- inter-company revenue

Not included in the measure of segment profit but provided to Chief Executive Officer:

- depreciation and amortisation
- finance costs
- finance income
- income tax expense

Segment assets

Included in the measure of segment assets are:

- additions to non-current assets other than financial instruments and deferred tax assets

| Kawan Food Berhad | Kawan Food Manufacturing Sdn. Bhd. | KG Pastry Marketing Sdn. Bhd. | |
|-------------------|------------------------------------|-------------------------------|--|
| RM | RM | RM | |
| 21,026,023 | 12,070,875 | 7,542,491 | |
| - | 5,493,614 | 59,818,872 | |
| 19,801,201 | 105,204,695 | 6,774,616 | |
| - | (4,135,772) | (256,571) | |
| (72) | (1,677,921) | (2,400) | |
| 2,013,653 | 172,181 | 111,697 | |
| (357,370) | (1,014,245) | (1,863,307) | |
| - | 21,530,054 | - | |
| 5,442,369 | 13,368,073 | 6,150,653 | |
| - | 4,703,025 | 54,479,066 | |
| 4,000,001 | 92,123,460 | 848,548 | |
| - | (3,988,405) | (365,546) | |
| (63) | (949,919) | (2,126) | |
| 1,083,365 | 167,248 | 262,258 | |
| (169,142) | (1,859,988) | (1,538,135) | |
| - | 4,689,421 | 264,190 | |

| Kayangan Manisan (M) Sdn. Bhd. | Kawan Food Confectionery Sdn. Bhd. | Kawan Food (Hong Kong) Limited | Kawan Food (Nantong) Co., Ltd | Total |
|--------------------------------------|--|--------------------------------------|-------------------------------------|-------------|
| RM | RM | RM | RM | RM |
| 43,440 | 651,963 | 7,542,852 | 4,849,834 | 53,727,478 |
| 378,508 | 2,389,205 | 75,830,988 | 5,613,119 | 149,524,306 |
| 21,299 | 110,624 | - | 21,448,557 | 153,360,992 |
| (1,266) | (596) | (3,868) | (1,994,255) | (6,392,328) |
| (35) | (20) | (235,450) | (508,886) | (2,424,784) |
| - | 1,323 | - | - | 2,298,854 |
| - | (163,966) | (1,243,649) | (426,452) | (5,068,989) |
| - | - | 2,239 | 916,697 | 22,448,990 |
| (19,298) | 528,737 | 5,096,074 | 2,468,235 | 33,034,843 |
| 489,447 | 2,304,826 | 60,238,271 | 4,211,737 | 126,426,372 |
| - | 131,377 | - | 14,048,041 | 111,151,427 |
| (9,712) | (596) | (3,908) | (1,876,731) | (6,244,898) |
| (97) | (60) | (222,615) | (497,545) | (1,672,425) |
| - | 2,724 | - | - | 1,515,595 |
| - | (129,925) | (808,028) | - | (4,505,218) |
| - | 2,980 | - | 464,586 | 5,421,177 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

26. OPERATING SEGMENTS *continued*

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

| | Group | |
|--|--------------|-------------|
| | 2014 | 2013 |
| | RM | RM |
| Profit or loss | | |
| Total profit or loss for reportable segments | 53,727,478 | 33,034,843 |
| Elimination of inter-segment profits | (20,907,569) | (5,979,170) |
| Depreciation and amortisation | (6,392,328) | (6,244,898) |
| Finance income | 264,287 | 272,415 |
| Finance costs | (407,024) | (437,904) |
| Consolidated profit before tax | 26,284,844 | 20,645,286 |

| | External revenue | Depreciation and amortisation | Finance costs | Finance income | Segment assets |
|--|------------------|-------------------------------|---------------|----------------|----------------|
| | RM | RM | RM | RM | RM |
| 2014 | | | | | |
| Total reportable segments | 302,885,298 | (6,392,328) | (2,424,784) | 2,298,854 | 323,828,328 |
| Elimination of inter-segment transaction or balances | (153,360,992) | - | 2,017,760 | (2,034,567) | (137,302,882) |
| Consolidated total | 149,524,306 | (6,392,328) | (407,024) | 264,287 | 186,525,446 |
| 2013 | | | | | |
| Total reportable segments | 237,577,799 | (6,244,898) | (1,672,425) | 1,515,595 | 272,644,698 |
| Elimination of inter-segment transaction or balances | (111,151,427) | - | 1,234,521 | (1,243,180) | (112,999,791) |
| Consolidated total | 126,426,372 | (6,244,898) | (437,904) | 272,415 | 159,644,907 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

26. OPERATING SEGMENTS *continued*

Geographical segments

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

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

Geographical information

| | 2014 | | 2013 | |
|--------------------|-------------|--------------------|-------------|--------------------|
| | Revenue | Non-current assets | Revenue | Non-current assets |
| | RM | RM | RM | RM |
| Malaysia | 62,586,585 | 69,863,881 | 57,273,339 | 52,778,006 |
| Rest of Asia | 21,199,278 | 31,156,449 | 18,803,623 | 30,987,894 |
| Europe | 13,384,691 | - | 10,369,515 | - |
| North America | 43,264,350 | - | 32,784,558 | - |
| Oceania | 8,613,342 | - | 6,867,909 | - |
| Africa | 476,060 | - | 327,428 | - |
| Consolidated total | 149,524,306 | 101,020,330 | 126,426,372 | 83,765,900 |

Major customers

The Group has one (2013: one) major customer contributing revenue greater than 10% of the Group's total revenue.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

- (i) Loans and receivables (L&R);
- (ii) Fair value through profit or loss (FVTPL):
 - held for trading (HFT); and
- (iii) Financial liabilities measured at amortised cost (FL).

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

27. FINANCIAL INSTRUMENTS *continued*

(a) Categories of financial instruments *continued*

| | Carrying amounts | L&R/ (FL) | FVTPL -HFT |
|------------------------------|---------------------|---------------------|------------------|
| | RM | RM | RM |
| 2014 | | | |
| Financial assets | | | |
| Group | | | |
| Other investments | 6,641,147 | - | 6,641,147 |
| Trade and other receivables | 29,297,003 | 29,297,003 | - |
| Cash and cash equivalents | 37,032,486 | 37,032,486 | - |
| | 72,970,636 | 66,329,489 | 6,641,147 |
| Company | | | |
| Trade and other receivables | 38,969,539 | 38,969,539 | - |
| Cash and cash equivalents | 1,362,118 | 1,362,118 | - |
| | 40,331,657 | 40,331,657 | - |
| Financial liabilities | | | |
| Group | | | |
| Loans and borrowings | (6,867,939) | (6,867,939) | - |
| Trade and other payables | (22,925,489) | (22,925,489) | - |
| | (29,793,428) | (29,793,428) | - |
| Company | | | |
| Trade and other payables | (397,579) | (397,579) | - |
| | (397,579) | (397,579) | - |
| 2013 | | | |
| Financial assets | | | |
| Group | | | |
| Other investments | 5,354,783 | - | 5,354,783 |
| Trade and other receivables | 24,064,095 | 24,064,095 | - |
| Cash and cash equivalents | 36,146,284 | 36,146,284 | - |
| | 65,565,162 | 60,210,379 | 5,354,783 |
| Company | | | |
| Trade and other receivables | 21,010,063 | 21,010,063 | - |
| Cash and cash equivalents | 2,145,426 | 2,145,426 | - |
| | 23,155,489 | 23,155,489 | - |
| Financial liabilities | | | |
| Group | | | |
| Loans and borrowings | (3,066,009) | (3,066,009) | - |
| Trade and other payables | (16,770,992) | (16,770,992) | - |
| | (19,837,001) | (19,837,001) | - |
| Company | | | |
| Trade and other payables | (354,083) | (354,083) | - |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

27. FINANCIAL INSTRUMENTS *continued*

(b) Net gains and losses arising from financial instruments

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Net gains arising on: | | | | |
| Fair value through profit or loss: | | | | |
| - held for trading | (814,800) | (52,800) | - | - |
| Loans and receivables | 2,814,025 | 2,449,294 | 2,776,241 | 1,886,631 |
| Financial liabilities measured at amortised cost | (657,414) | (496,819) | - | - |
| | 1,341,811 | 1,899,675 | 2,776,241 | 1,886,631 |

(c) Financial risk management

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

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

Credit risk

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

(i) Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

27. FINANCIAL INSTRUMENTS continued

(c) Finance risk management continued

Credit risk continued

(i) Receivables continued

Exposure to credit risk, credit quality and collateral continued

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

| | Group | |
|---------------|-------------------|-------------------|
| | 2014 | 2013 |
| | RM | RM |
| Domestic | 12,884,138 | 11,755,832 |
| North America | 4,840,373 | 3,591,949 |
| Europe | 4,437,872 | 2,216,150 |
| Rest of Asia | 4,928,428 | 4,463,807 |
| Oceania | 1,547,834 | 937,525 |
| | 28,638,645 | 22,965,263 |

At the end of each reporting period, the Group has no significant concentration of credit risk except for the amount due from one customer (2013: one customer) representing 13% (2013: 4%) of total trade receivables of the Group. The Group do not anticipate the carrying amounts recorded at the end of each reporting period to be significantly different from the value that would eventually be received.

Impairment losses

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

| | Gross | Individual Impairment | Net |
|----------------------------|-------------------|-----------------------|-------------------|
| | RM | RM | RM |
| Group | | | |
| 2014 | | | |
| No past due | 24,026,108 | - | 24,026,108 |
| 1 - 30 days past due | 3,026,982 | - | 3,026,982 |
| 31 - 90 days past due | 937,909 | - | 937,909 |
| More than 90 days past due | 647,646 | - | 647,647 |
| | 28,638,645 | - | 28,638,645 |
| 2013 | | | |
| No past due | 19,537,593 | - | 19,537,593 |
| 1 - 30 days past due | 1,453,862 | - | 1,453,862 |
| 31 - 90 days past due | 1,039,053 | - | 1,039,053 |
| More than 90 days past due | 1,027,727 | (92,972) | 934,755 |
| | 23,058,235 | (92,972) | 22,965,263 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

27. FINANCIAL INSTRUMENTS *continued*

(c) Financial risk management *continued*

Credit risk *continued*

(i) Receivables *continued*

Impairment losses *continued*

The movements in the allowance for impairment losses of trade receivables during the year were as follows:

| | Group | |
|------------------------------------|----------|--------|
| | 2014 | 2013 |
| | RM | RM |
| At 1 January | 92,972 | 91,160 |
| Impairment loss (reversed)/charged | (49,627) | 1,812 |
| Impairment loss written off | (43,345) | - |
| At 31 December | - | 92,972 |

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

The allowance account in respect of trade receivables 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.

(ii) Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM6,867,939 (2013: RM3,066,009) representing the outstanding banking facilities of the subsidiary as at end of the reporting period.

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

(iii) Inter company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

Impairment losses

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

27. FINANCIAL INSTRUMENTS continued

(c) Financial risk management continued

Credit risk continued

(iv) Cash and cash equivalents

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

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

Liquidity risk

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

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

Maturity analysis

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

| | Carrying amounts | Contractual interest rate | Contractual cash flows | Less than 1 year | 1 - 2 years | 2 - 5 years |
|------------------------------|-------------------|---------------------------|------------------------|-------------------|------------------|------------------|
| | RM | % | RM | RM | RM | RM |
| 2014 | | | | | | |
| Group | | | | | | |
| <i>Non-derivatives</i> | | | | | | |
| <i>financial liabilities</i> | | | | | | |
| Secured term loans | 6,867,939 | 4.43% - 5.2% | 6,985,516 | 1,101,762 | 1,110,939 | 4,772,815 |
| Trade and other payables | 22,925,489 | | 22,925,489 | 22,925,489 | - | - |
| | <u>29,793,428</u> | | <u>29,911,005</u> | <u>24,027,251</u> | <u>1,110,939</u> | <u>4,772,815</u> |
| Company | | | | | | |
| <i>Non-derivatives</i> | | | | | | |
| <i>financial liabilities</i> | | | | | | |
| Trade and other payables | 397,579 | | 397,579 | 397,579 | - | - |
| | <u>397,579</u> | | <u>397,579</u> | <u>397,579</u> | <u>-</u> | <u>-</u> |
| 2013 | | | | | | |
| Group | | | | | | |
| <i>Non-derivatives</i> | | | | | | |
| <i>financial liabilities</i> | | | | | | |
| Secured term loans | 3,066,009 | 4.95% | 3,305,380 | 1,101,762 | 1,101,762 | 1,101,856 |
| Trade and other payables | 16,770,992 | | 16,770,992 | 16,770,992 | - | - |
| | <u>19,837,001</u> | | <u>20,076,372</u> | <u>17,872,754</u> | <u>1,101,762</u> | <u>1,101,856</u> |
| Company | | | | | | |
| <i>Non-derivatives</i> | | | | | | |
| <i>financial liabilities</i> | | | | | | |
| Trade and other payables | 354,083 | | 354,083 | 354,083 | - | - |
| | <u>354,083</u> | | <u>354,083</u> | <u>354,083</u> | <u>-</u> | <u>-</u> |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

27. FINANCIAL INSTRUMENTS continued

(c) Financial risk management continued

Market risk

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

(i) Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

| Group | RM | RM | RM |
|-----------------------------|-------------------|--------------------|------------------|
| | USD | Denominated in SGD | EURO |
| 2014 | | | |
| Trade and other receivables | 40,253 | 1,101,012 | - |
| Cash and cash equivalents | 8,701,222 | 2,437,560 | 6,366,757 |
| Trade and other payables | (639,019) | - | - |
| | 8,102,456 | 3,538,572 | 6,366,757 |
| 2013 | | | |
| Trade and other receivables | 163,685 | 1,430,045 | - |
| Cash and cash equivalents | 12,255,936 | 715,200 | 20,537 |
| Trade and other payables | (564,651) | - | - |
| | 11,854,970 | 2,145,245 | 20,537 |

Company

Denominated in USD

| | 2014 | 2013 |
|----------------------------|-------------------|-------------------|
| | RM | RM |
| Investment in a subsidiary | 21,153,822 | 19,816,772 |
| Advances to a subsidiary | 12,408,354 | 12,366,468 |
| | 33,562,176 | 32,183,240 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

27. FINANCIAL INSTRUMENTS continued

(c) Financial risk management continued

Market risk continued

(i) Currency risk continued

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency.

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

| | Group | | Company | |
|-------------|-------------|-------------|-------------|-------------|
| | Equity | Profit | Equity | Profit |
| | RM | RM | RM | RM |
| 2014 | | | | |
| USD | (2,194,221) | (607,684) | (2,517,163) | (2,517,163) |
| SGD | (265,393) | (265,393) | - | - |
| EURO | (477,507) | (477,507) | - | - |
| | (2,937,121) | (1,350,584) | (2,517,163) | (2,517,163) |
| 2013 | | | | |
| USD | (2,375,381) | (889,123) | (2,413,743) | (2,413,743) |
| SGD | (160,893) | (160,893) | - | - |
| EURO | (1,540) | (1,540) | - | - |
| | (2,537,814) | (1,051,556) | (2,413,743) | (2,413,743) |

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

(ii) Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

27. FINANCIAL INSTRUMENTS *continued*

(c) Financial risk management *continued*

Market risk *continued*

(ii) Interest rate risk *continued*

Exposure to interest rate risk

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

| | Group | | Company | |
|-----------------------------------|-------------|-------------|------------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Fixed rates instruments | | | | |
| Financial assets | - | - | 12,408,354 | 14,511,894 |
| Floating rates instruments | | | | |
| Financial assets | 4,667,843 | 6,182,125 | 27,922,303 | 10,786,821 |
| Financial liabilities | (6,867,939) | (3,066,009) | - | - |

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(iii) Price risk

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

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

A 5% (2013: NIL) decreased in share price at the end of the reporting period would have decreased profit by RM61,040 (2013: NIL) for quoted investments classified as fair value through profit or loss. A 5% (2013: NIL) increased in share price would have had equal but opposite effect on equity and profit respectively.

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

27. FINANCIAL INSTRUMENTS continued

(d) Fair values of financial instruments

(i) Financial assets and liabilities measured at fair value

| | Level 1 | Level 2 | Level 3 |
|-------------------------|-----------|---------|---------|
| | RM | RM | RM |
| 2014 | | | |
| Financial assets | | | |
| Unit trust (Quoted) | 5,420,347 | - | - |
| Shares (Quoted) | 1,220,800 | - | - |
| 2013 | | | |
| Financial assets | | | |
| Unit trust (Quoted) | 5,354,783 | - | - |

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

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

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

| | 2014 | | 2013 | |
|---------------------------------------|------------------|------------|------------------|------------|
| | Carrying amounts | Fair value | Carrying amounts | Fair value |
| | RM | RM | RM | RM |
| Company | | | | |
| Advances to subsidiaries (fixed rate) | 12,408,354 | 11,218,512 | 12,366,468 | 10,953,687 |

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

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

28. CAPITAL MANAGEMENT

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

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

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

| | Group | |
|--|--------------|--------------|
| | 2014 | 2013 |
| | RM | RM |
| Loans and borrowings | 6,867,939 | 3,066,009 |
| Trade and other payables | 22,925,489 | 16,770,992 |
| | 29,793,428 | 19,837,001 |
| Less: Cash and cash equivalents | (37,032,486) | (36,146,284) |
| Net debt | (7,239,058) | (16,309,283) |
| Equity attributable to owners of the Company | 154,424,597 | 135,838,529 |
| Debt-to-equity ratio | * | * |
| * not meaningful | | |

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

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

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

29. CAPITAL AND OTHER COMMITMENTS

| | Group | |
|---|------------|------------|
| | 2014 | 2013 |
| | RM | RM |
| <u>Capital expenditure commitments</u> | | |
| Property, plant and equipment | | |
| Contracted but not provide for and payable: | | |
| Within one year | 87,522,221 | 11,341,932 |

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

30. RELATED PARTIES

Identity of related parties

A related party is defined as follows:

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

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

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

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

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

Significant related party transactions

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

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

30. RELATED PARTIES continued

Significant related party transactions continued

| | Group | | Company | |
|---|------------|------------|-----------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Subsidiaries | | | | |
| Interest income on loans | - | - | 1,980,185 | 1,045,180 |
| Jointly controlled entity | | | | |
| Sales of goods | 35,795 | 22,932 | - | - |
| Other related party transaction | | | | |
| <i>Companies in which Directors of the Company have interest:</i> | | | | |
| Sales of goods | 16,493,797 | 10,713,697 | - | - |
| <i>Companies in which a persons related to a Directors of the Company have interest</i> | | | | |
| Sales of goods | 839,561 | 910,758 | - | - |
| Purchase of goods | 10,927,467 | 10,502,423 | - | - |
| Key management personnel | | | | |
| <i>Directors:</i> | | | | |
| - Fees | 334,000 | 306,500 | 334,000 | 306,500 |
| - Remuneration | 2,056,532 | 1,595,569 | - | - |
| - Post-employment benefits | 212,110 | 167,546 | - | - |
| | 2,602,642 | 2,069,615 | 334,000 | 306,500 |
| <i>Other key management personnel:</i> | | | | |
| - Short term employee benefits | 3,345,313 | 3,553,797 | - | - |
| - Post-employment benefits | 273,127 | 235,882 | - | - |
| | 3,618,440 | 3,789,679 | - | - |
| Total compensation paid to key management personnel | 6,221,082 | 5,859,294 | 334,000 | 306,500 |

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.

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

The estimated monetary value of Directors' benefit-in-kind is RM59,050 (2013: RM49,400).

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

31. CONTINGENCIES

Corporate guarantees given by the Company to licensed banks for banking facilities granted to a subsidiary

| Company | |
|------------|------------|
| 2014 | 2013 |
| RM | RM |
| 74,664,850 | 24,525,000 |

32. SIGNIFICANT EVENT SUBSEQUENT TO THE REPORTING PERIOD

On 6 March 2015, the Company declared an interim single tier dividend of 2 sen per ordinary share of RM0.50 each in respect of the financial year ending 31 December 2015.

Notes to the Financial Statements

for the financial year ended 31 December 2014 • continued

33. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFIT OR LOSS

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2014, into realised and unrealised profits, pursuant to Paragraph 2.06 and 2.33 of Bursa Malaysia Main Market Listing Requirements, are as follows:

| | Group | | Company | |
|--|--------------|--------------|-----------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Retained earnings of the Company and its subsidiaries | | | | |
| - Realised | 85,482,324 | 98,163,844 | 2,835,080 | 15,611,295 |
| - Unrealised | (2,801,609) | (2,345,407) | 2,099,638 | 2,119,141 |
| | 82,680,715 | 95,818,437 | 4,934,718 | 17,730,436 |
| Total share of post-acquisition reserve of jointly controlled entity | | | | |
| - Realised | (325,000) | (186,538) | - | - |
| | 82,355,715 | 95,631,899 | 4,934,718 | 17,730,436 |
| Less: Consolidation adjustment | (24,423,387) | (23,129,753) | - | - |
| Total group retained earnings as per consolidated accounts | 57,932,328 | 72,502,146 | 4,934,718 | 17,730,436 |

The determination of realised and unrealised profits is based on the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

List of Properties

| Location / Title details | Description/ Existing use | Tenure of Lease | Approx. age of building | Date of Acquisition | Approx. Land Area/ Built-up Area | Issuance of Certificate of Fitness | Net Book Value RM | |
|--|------------------------------|--|--|------------------------|---|--|-------------------------|------------|
| | | | | | | | | |
| Held under H.S. (D) No. 135852, Mukim dan Daerah Klang, Negeri Selangor, with address at Lot 96, Section 4, Phase 2C, Selangor Halal-Hub, Pulau Indah, Selangor Darul Ehsan | * | Under construction | Leasehold interest for a term of 99 years expiring on 24 February 2097 | N/A | 12 October 2011 | 63,079.9 sq. metres | N/A | 14,290,799 |
| Held under H.S. (D) No. 98527, Bandar Shah Alam, Daerah Petaling, Negeri Selangor, with address at Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan | * | A double storey factory for manufacturing activities with cold storage facilities, and a double storey office attached | Leasehold interest for a term of 99 years expiring on 6 August 2074 | 35 years | 28 May 2004 | 7,337.24 sq. metres/ 6,417.91 sq. metres | 23 May 2007 | 5,732,702 |
| Held under PTD No. 59709 H.S. (D) 207237 Mukim of Tebrau, Negeri Johor with address at No.52, Jalan Mutiara Emas 5/12, Taman Mount Austin, 81100 Johor Bahru, Johor Darul Takzim | ** | A one and a half storey terrace factory with cold storage facilities, and an office annexed | Freehold | 16 years | 31 May 2005 | 289.86 sq. metres/ 254 sq. metres | 2 November 1998 | 307,252 |
| Held under H.S. (D) 98490, P.T. No. 617, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 4, Jalan Lada Hitam 16/12A, 40000 Shah Alam, Selangor Darul Ehsan | * | A single storey factory with an office annexed | Leasehold interest for a term of 99 years expiring on 20 July 2094 | 25 years | 28 June 1999 | 4,484 sq. metres/ 3,149.43 sq. metres | 24 September 1990 | 1,818,750 |

List of Properties

continued

| Location / Title details | Description/ Existing use | Tenure of Lease | Approx. age of building | Date of Acquisition | Approx. Land Area/ Built-up Area | Issuance of Certificate of Fitness | Net Book Value RM |
|---|---|--|-------------------------------|------------------------|---|--|-------------------------|
| Held under H.S. (D) 98500 for P.T. No. 714, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 2A, Persiaran Kemajuan, Seksyen 16, 40000 Shah Alam, Selangor Darul Ehsan. | * A single storey factory with cold storage facilities; and a single storey office attached | Leasehold interest for a term of 99 years expiring on 20 July 2094 | 25 years | 25 May 2005 | 21,796 sq. metres/ 3,584.91 sq. metres | 7 May 1990 | 7,181,662 |
| Parcel No. 2F-41C with address at 41C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56067 PT 59174 in Mukim, Klang, District of Klang, Selangor Darul Ehsan | * Shop apartment occupied as staff hostel | Freehold | 15 years | 16 May 2003 | 67.85 sq. metres | 27 March 2003 | 49,857 |
| Parcel No. 2B-41D with address at 41D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56067 PT 59174 in Mukim, Klang, District of Klang, Selangor Darul Ehsan | * Shop apartment occupied as staff hostel | Freehold | 15 years | 29 July 2003 | 67.85 sq. metres | 27 March 2003 | 46,385 |

List of Properties

continued

| Location / Title details | Description/ Existing use | Tenure of Lease | Approx. age of building | Date of Acquisition | Approx. Land Area/ Built-up Area | Issuance of Certificate of Fitness | Net Book Value RM |
|---|---|--------------------|-------------------------------|------------------------|---|--|-------------------------|
| Parcel No. 2F-31C with address at 31C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56062 PT 59169 in Mukim, Klang, District of Klang, Selangor Darul Ehsan | * Shop apartment occupied as staff hostel | Freehold | 15 years | 16 May 2003 | 67.85 sq. metres | 27 March 2003 | 49,857 |
| Parcel No. 2B-21D with address at 21D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56057 PT 59164 in Mukim, Klang, District of Klang, Selangor Darul Ehsan | * Shop apartment occupied as staff hostel | Freehold | 15 years | 29 July 2003 | 67.85 sq. metres | 27 March 2003 | 46,385 |
| Shop Apartment Parcel No. B3/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67208 Lot No. P.T. No. 65663 in Mukim, Klang, District of Klang, Selangor Darul Ehsan | * Shop apartment occupied as staff hostel | Freehold | 14 years | 21 February 2001 | 69.52 sq. metres | 26 October 2004 | 44,099 |

List of Properties

continued

| Location / Title details | Description/ Existing use | Tenure of Lease | Approx. age of building | Date of Acquisition | Approx. Land Area/ Built-up Area | Issuance of Certificate of Fitness | Net Book Value RM |
|--|---|--------------------|-------------------------------|------------------------|---|--|-------------------------|
| <p>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</p> <p>Held under Strata Title H.S. (D) 67207 Lot No.P.T. No. 65652 in Mukim, Klang, District of Klang, Selangor Darul Ehsan</p> | * Shop apartment occupied as staff hostel | Freehold | 14 years | 21 February 2001 | 69.52 sq. metres | 26 October 2004 | 44,099 |
| <p>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</p> <p>Held under Strata Title H.S. (D) 67208 Lot No.P.T. No. 65663 in Mukim, Klang, District of Klang, Selangor Darul Ehsan</p> | * Shop apartment occupied as staff hostel | Freehold | 14 years | 21 February 2001 | 69.52 sq. metres | 26 October 2004 | 44,099 |
| <p>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</p> <p>Held under Strata Title H.S. (D) 67207 Lot No. P.T. No. 65652 in Mukim, Klang, District of Klang, Selangor Darul Ehsan</p> | * Shop apartment occupied as staff hostel | Freehold | 14 years | 21 February 2001 | 69.52 sq. metres | 26 October 2004 | 44,099 |

List of Properties

continued

| Location / Title details | Description/ Existing use | Tenure of Lease | Approx. age of building | Date of Acquisition | Approx. Land Area/ Built-up Area | Issuance of Certificate of Fitness | Net Book Value RM |
|--|--|--|-------------------------------|------------------------|--|--|-------------------------|
| Shop Apartment Parcel No. D2/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan | * Shop apartment occupied as staff hostel | Freehold | 14 years | 21 February 2001 | 69.52 sq. metres | 26 October 2004 | 44,099 |
| Held under Strata Title H.S. (D) 67208 Lot No.P.T. No. 65663 in Mukim, Klang, District of Klang, Selangor Darul Ehsann | | | | | | | |
| Industrial Land at 13, Kexing Road North, Nantong Economic & Technology Development Area ("NETDA"), China | *** A double storey factory for manufacturing activities with cold storage facilities; and a double storey office attached | Leasehold interest for a term of 50 years expiring on 25 December 2056 | 5 years | 26 December 2006 | 40,773.90 sq. metres/ 16,000 sq. metres | N/A | 18,439,345 |
| Held under Lot No. 03-10-(001)-338, Land Registry No. 35.45-92.10 | | | | | | | |
| Apartment at Unit 306, Building No. 11, 107 Xinkai Road, NETDA, Jiangsu Province, 226009 China | *** Apartment | Leasehold interest for a term of 70 years expiring on 19 August 2074 | 8 years | 19 January 2007 | 223.44 sq. metres | N/A | 428,909 |
| Apartment at Unit 2904 Building No. 9, Zhongnan Century City, Chongchuan District, Nantong, Jiangsu Province, 226009 China | *** Apartment | Leasehold interest for a term of 75 years expiring on 1 April 2075 | 5 years | 30 December 2006 | 179.42 sq. metres | N/A | 518,328 |

* Held under Kawan Food Manufacturing Sdn Bhd

** Held under KG Pastry Marketing Sdn Bhd

*** Held under Kawan Food (Nantong) Co., Ltd.

Analysis on Shareholdings

as per record of depositors as at 8 April 2015

ORDINARY SHARES

| | |
|-------------------------------------|---|
| Authorised Share Capital | : RM500,000,000.00 (1,000,000,000 Ordinary Shares of RM0.50 each) |
| Issued and Fully Paid Share Capital | : RM91,638,958.00 (183,277,916 Ordinary Shares of RM0.50 each) |
| Class of Shares | : Ordinary Shares of RM0.50 each |
| Voting Rights | : One (1) vote per Ordinary Share |

DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Shares |
|--|---------------------|-------------------|--------------------|---------------|
| Less than 100 | 88 | 7.12 | 2,455 | 0.00 |
| 100 to 1,000 | 665 | 53.80 | 170,483 | 0.09 |
| 1,001 to 10,000 | 269 | 21.77 | 1,167,362 | 0.64 |
| 10,001 to 100,000 | 152 | 12.30 | 5,109,650 | 2.80 |
| 100,001 to less than 5% of issued shares | 58 | 4.69 | 45,739,925 | 25.01 |
| 5% and above of issued shares | 4 | 0.32 | 130,679,991 | 71.46 |
| Total | 1,236 | 100.00 | 182,869,866 | 100.00 |

SUBSTANTIAL SHAREHOLDERS

as per Register of Substantial Shareholders as at 8 April 2015

| Name of Substantial Shareholders | Direct | | Indirect | |
|--------------------------------------|---------------|-------|---------------|-------|
| | No. of Shares | % | No. of Shares | % |
| 1. Gan Thiam Chai | 59,939,991 | 32.78 | - | - |
| 2. Goshenite Limited | 43,200,000 | 23.62 | - | - |
| 3. Gan Thiam Hock | 15,120,000 | 8.27 | - | - |
| 4. Kwan Sok Kay | 15,090,750 | 8.25 | - | - |
| 5. Nareshchandra Gordhandas Nagrecha | - | - | 43,200,000* | 23.62 |

Note:- *Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his shareholdings in Goshenite Limited.

STATEMENT OF DIRECTORS' SHAREHOLDINGS

as per Register of Directors' shareholdings as at 8 April 2015

| Name of Directors | Direct | | Indirect | |
|--------------------------------------|---------------|-------|---------------|-------|
| | No. of Shares | % | No. of Shares | % |
| 1. Gan Thiam Chai | 59,939,991 | 32.78 | - | - |
| 2. Gan Thiam Hock | 15,120,000 | 8.27 | - | - |
| 3. Kwan Sok Kay | 15,090,750 | 8.25 | - | - |
| 4. Lim Peng @ Lim Pang Tun | 225,000 | 0.12 | - | - |
| 5. Chen Seng Chong | 337,500 | 0.18 | - | - |
| 6. Timothy Tan Heng Han | 67,500 | 0.04 | - | - |
| 7. Soo Yoke Mun | - | - | - | - |
| 8. Jayendra Janardan | - | - | - | - |
| 9. Nareshchandra Gordhandas Nagrecha | - | - | 43,200,000* | 23.62 |

Note:- *Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his shareholdings in Goshenite Limited.

Analysis on Shareholdings

as per record of depositors as at 8 April 2015 • continued

LIST OF THIRTY (30) LARGEST SHAREHOLDERS as at 8 April 2015

(Without aggregating the securities from different securities account belonging to same person)

| No. | Name of Shareholders | No. of Shares | % |
|--------------|--|--------------------|--------------|
| 1. | Gan Thiam Chai | 59,939,991 | 32.78 |
| 2. | Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Goshenite Limited</i> | 43,200,000 | 23.62 |
| 3. | Gan Thiam Hock | 15,120,000 | 8.27 |
| 4. | Kwan Sok Kay | 12,420,000 | 6.79 |
| 5. | Niels John Madsen | 6,014,250 | 3.29 |
| 6. | DB (Malaysia) Nominee (Asing) Sdn Bhd <i>SSBT Fund W4A9 for Wasatch Micro Cap Value Fund</i> | 3,000,000 | 1.64 |
| 47. | Kong Poh Yin | 2,990,250 | 1.64 |
| 8. | HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)</i> | 2,813,850 | 1.54 |
| 9. | Kwan Sok Kay | 2,670,750 | 1.46 |
| 10. | HSBC Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Wu Chung Chen</i> | 2,565,000 | 1.40 |
| 11. | HSB Nominees (Asing) Sdn Bhd <i>Exempt An for Credit Suisse (SG BR-TST-ASING)</i> | 2,283,250 | 1.25 |
| 12. | HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chen Tsai Tien</i> | 1,735,575 | 0.95 |
| 13. | Yap Sook Chen | 1,612,800 | 0.88 |
| 14. | Choy Wee Chiap | 1,332,500 | 0.73 |
| 15. | HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chiang Peter</i> | 1,302,000 | 0.71 |
| 16. | Lai Yew Chung | 1,189,500 | 0.65 |
| 17. | Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Shah Kamal Kant Zaverchand (Dealer 065)</i> | 1,158,525 | 0.63 |
| 18. | Kong Poh Kheng | 1,108,575 | 0.61 |
| 19. | HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd For Wu Chia Lung</i> | 1,005,825 | 0.55 |
| 20. | Loh Ah Heng | 962,250 | 0.53 |
| 21. | Lai Yew Weng | 904,800 | 0.49 |
| 22. | Lydia Claire Lim Lih Yueah | 763,500 | 0.42 |
| 23. | Lim Seong Tin | 711,000 | 0.39 |
| 24. | Leong Kim Mooi | 591,900 | 0.32 |
| 25. | TA Securities Holdings Berhad <i>IVT (DDG)</i> | 590,000 | 0.32 |
| 26. | Lim Chai Chang | 495,000 | 0.27 |
| 27. | Chua Sook Ming | 486,525 | 0.27 |
| 28. | Lorna Marie Koh | 393,750 | 0.22 |
| 29. | HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Berhad for Wang Wang Li Hui</i> | 393,000 | 0.21 |
| 30. | HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Berhad for Wang Chiung Yueh</i> | 388,950 | 0.21 |
| Total | | 170,143,316 | 93.04 |

Analysis on Warrant Holdings

as per record of depositors as at 8 April 2015

No. of Free Warrants in issue : 86,716,769
Voting Rights : One (1) vote per Warrant in respect of Warrant Holders' Meeting

DISTRIBUTION OF WARRANT HOLDINGS

| Size of Warrant Holdings | No. of Warrant Holders | % of Warrant Holders | No. of Warrants | % of Warrants |
|--|------------------------|----------------------|-------------------|---------------|
| Less than 100 | 73 | 7.19 | 3,854 | 0.00 |
| 100 to 1,000 | 595 | 58.56 | 78,298 | 0.09 |
| 1,001 to 10,000 | 193 | 19.00 | 716,011 | 0.83 |
| 10,001 to 100,000 | 109 | 10.73 | 3,041,256 | 3.51 |
| 100,001 to less than 5% of issued warrants | 42 | 4.13 | 17,537,349 | 20.22 |
| 5% and above of issued warrants | 4 | 0.39 | 65,340,001 | 75.35 |
| Total | 1,016 | 100.00 | 86,716,769 | 100.00 |

SUBSTANTIAL WARRANT HOLDERS

as per Register of Substantial Warrant Holders as at 8 April 2015

| Name of Substantial Warrant Holders | Direct | | Indirect | |
|--------------------------------------|-----------------|-------|-----------------|-------|
| | No. of Warrants | % | No. of Warrants | % |
| 1. Gan Thiam Chai | 29,970,001 | 34.56 | - | - |
| 2. Goshenite Limited | 21,600,000 | 24.91 | - | - |
| 3. Gan Thiam Hock | 7,560,000 | 8.72 | - | - |
| 4. Kwan Sok Kay | 7,545,375 | 8.70 | - | - |
| 5. Nareshchandra Gordhandas Nagrecha | - | - | 21,600,000* | 24.91 |

Note:- *Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his shareholdings in Goshenite Limited.

DIRECTORS' WARRANT HOLDINGS

as per Register of Directors' Warrant Holdings as at 8 April 2015

| Name of Directors | Direct | | Indirect | |
|--------------------------------------|-----------------|-------|-----------------|-------|
| | No. of Warrants | % | No. of Warrants | % |
| 1. Gan Thiam Chai | 29,970,001 | 34.56 | - | - |
| 2. Gan Thiam Hock | 7,560,000 | 8.72 | - | - |
| 3. Kwan Sok Kay | 7,545,375 | 8.70 | - | - |
| 4. Chen Seng Chong | 168,750 | 0.19 | - | - |
| 5. Lim Peng @ Lim Pang Tun | 112,500 | 0.13 | - | - |
| 6. Timothy Tan Heng Han | 33,750 | 0.04 | - | - |
| 7. Soo Yoke Mun | - | - | - | - |
| 8. Jayendra Janardan Ved | - | - | - | - |
| 9. Nareshchandra Gordhandas Nagrecha | - | - | 21,600,000* | 24.91 |

Note:- *Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his shareholdings in Goshenite Limited.

Analysis on Warrant Holdings

as per record of depositors as at 8 April 2015 • continued

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS as at 8 April 2015

| No. | Name of Warrant holders | No. of Warrants | % |
|--------------|--|-------------------|--------------|
| 1. | Gan Thiam Chai | 29,970,001 | 34.56 |
| 2. | Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Goshenite Limited</i> | 21,600,000 | 24.91 |
| 3. | Gan Thiam Hock | 7,560,000 | 8.72 |
| 4. | Kwan Sok Kay | 6,210,000 | 7.16 |
| 5. | Niels John Madsen | 3,007,125 | 3.47 |
| 6. | Kong Poh Yin | 1,495,125 | 1.72 |
| 7. | Kwan Sok Kay | 1,335,375 | 1.54 |
| 8. | CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Erwin Selvarajah A/L Peter Selvarajah (MS3001)</i> | 933,300 | 1.08 |
| 9. | Choy Wee Chiap | 929,200 | 1.07 |
| 10. | Yap Sook Chen | 806,400 | 0.93 |
| 11. | HLIB Nominee (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chiang Peter</i> | 651,000 | 0.75 |
| 12. | Lai Yew Chung | 594,750 | 0.69 |
| 13. | Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Shah Kawal Kant Zaverchand (Dealer 065)</i> | 579,262 | 0.67 |
| 14. | Loh Ah Heng | 489,375 | 0.56 |
| 15. | Matrix Invent MSC Sdn Bhd | 404,550 | 0.47 |
| 16. | Chua Lee Guan | 360,750 | 0.42 |
| 17. | Lydia Claire Lim Lih Yueah | 356,250 | 0.41 |
| 18. | Lim Seong Tin | 355,500 | 0.41 |
| 19. | Liaw Ah Koon | 350,000 | 0.40 |
| 20. | Tiong Mee Mee | 329,850 | 0.38 |
| 21. | Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Goh Beng Hong</i> | 300,000 | 0.35 |
| 22. | Leong Kim Mooi | 288,375 | 0.33 |
| 23. | Tey Hook Seng | 254,300 | 0.29 |
| 24. | Public Nominees (Tempantan) Sdn Bhd <i>Pledged Securities Account for Tay Bee Geok (TJJ/KEN)</i> | 248,700 | 0.29 |
| 25. | Lim Chai Chang | 247,500 | 0.29 |
| 26. | Chua Sook Ming | 243,262 | 0.28 |
| 27. | Tan Chuan Li | 225,000 | 0.26 |
| 28. | JF APEX Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teo Kwee Hock (STA 1)</i> | 210,800 | 0.24 |
| 29. | Lorna Marie Koh | 196,875 | 0.23 |
| 30. | Lee Bee Seng | 196,000 | 0.23 |
| Total | | 80,728,625 | 93.11 |

ELEVENTH ANNUAL GENERAL MEETING Form of Proxy

I/We of

NRIC No./Company No. of

being a member / members of KAWAN FOOD BERHAD hereby appoint *the Chairman of the Meeting or

..... NRIC No.

of

or failing whom NRIC No.

of

as my/our proxy(ies) to vote for *me/us and on *my/our behalf at the Eleventh Annual General Meeting of the Company to be held at

Topas Room, The Saujana Hotel, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia

on Friday, 29 May 2015 at 10.00 a.m. and at any adjournment thereof.

*My/Our proxy(ies) is/are to vote as indicated below:-

| RESOLUTIONS | | FOR | AGAINST |
|--------------------------|--|---------------|---------|
| ORDINARY BUSINESS | | | |
| 1. | To approve the payment of Directors' fees for the year ended 31 December 2014 | resolution 1 | |
| 2. | To re-elect the following Directors who retire in accordance with Article 80 of the Company's Articles of Association:- | | |
| 2.1 | Mr. Gam Thiam Hock | resolution 2 | |
| 2.2 | Mr. Lim Peng @ Lim Pang Tun | resolution 3 | |
| 2.3 | Mr. Jayendra Janardan Ved | resolution 4 | |
| 3. | To re-appoint Messrs. Cheng & Co. as the Company's Auditors and to authorise the Board of Directors to fix their remuneration. | resolution 5 | |
| SPECIAL BUSINESS | | | |
| 4. | To re-appoint the following Directors as Independent Non-Executive Directors of the Company:- | | |
| 5.1 | Mr. Chen Seng Chong | resolution 6 | |
| 5.2 | Mr. Lim Peng @ Lim Pang Tun | resolution 7 | |
| 5. | Ordinary Resolution 1 - Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965. | resolution 8 | |
| 6. | Ordinary Resolution 2 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Shana Foods Limited and Rubicon Food Products Limited. | resolution 9 | |
| 8. | Ordinary Resolution 3 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with K.C. Belight Food Industry (M) Sdn Bhd, Food Valley Sdn Bhd and Hot & Roll Sdn Bhd. | resolution 10 | |

[Please indicate with (X) how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his (her) discretion].

Notes :-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy in his/her stead.
2. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Act shall not apply to the Company.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. Where a member appoints more than two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.
5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omni bus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy must be deposited at the Company's Registered Office at Strategy Corporate Secretariat Sdn. Bhd., Unit 07-02, Level 7, Persoft Tower, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.
7. For the purpose of determining whether a member is entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd in accordance with Article 55(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 22 May 2015. Only a depositor whose name appears in the Record of Depositors as at 22 May 2015 will be entitled to attend, speak and vote at the Meeting.

Signature / Common Seal of Shareholder(s)

Dated this day of 2015

Number of ordinary shares held :

CDS Account No. :

[* Delete if not applicable]

please fold here

Affix Stamp

THE COMPANY SECRETARY

KAWAN Food Berhad 640445-V

Unit 07-02, Level 7, Persoft Tower

6B Persiaran Tropicana

47410 Petaling Jaya

Selangor Darul Ehsan

Malaysia

please fold here



2014



KAWAN Food Berhad 640445-V (Incorporated in Malaysia)

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Selangor Darul Ehsan, Malaysia

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