



2015

Bringing Us Together

KAWAN Food Berhad Annual Report

640445-V (Incorporated in Malaysia)

Together all the time

KAWAN Food Berhad is a leading company that champions ethnic food products in the frozen food industry. For more than 30 years through family gatherings and festivities, we have been delivering food products that are handy, hearty and hygienic, from our hearts to yours.



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Corporate Information

DIRECTORS

GAN THIAM CHAI
Executive Chairman

TIMOTHY TAN HENG HAN
Managing Director

GAN THIAM HOCK
Non-Independent
Executive Director

KWAN SOK KAY
Non-Independent
Executive Director

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

JAYENDRA JANARDAN VED
Non-Independent
Non-Executive Director

DIRECTORS

CHEN SENG CHONG
Senior Independent
Non-Executive Director

LIM HUN SOON @ DAVID LIM
Independent
Non-Executive Director

LIM PENG @ LIM PANG TUN
Independent
Non-Executive Director

SOO YOKE MUN
Independent
Non-Executive Director

ABDUL RAZAK BIN SHAKOR
Non-Independent
Non-Executive Director
(Alternate Director to
Jayendra Janardan Ved)

AUDIT COMMITTEE

LIM HUN SOON @ DAVID LIM
Chairman

LIM PENG @ LIM PANG TUN
Member

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

LIM PENG @ LIM PANG TUN
Chairman

CHEN SENG CHONG
Member

**NARESHCHANDRA
GORDHANDAS NAGRECHA**
Member

REGISTERED OFFICE

**C/O STRATEGY CORPORATE
SECRETARIAT SDN. BHD.**
Unit 07-02, Level 7, Persoft Tower
6B Persiaran Tropicana
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

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of KAWAN FOOD BERHAD will be held at Saujana Ballroom, The Saujana Hotel, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Tuesday, 31 May 2016 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 2015 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of Directors' fees for the financial year ended 31 December 2015.
3. To approve the payment of Directors' fees for the financial year ending 31 December 2016.
4. To re-elect the following Directors who retire pursuant to Article 80 of the Company's Articles of Association:-
 - (a) Mr. Gan Thiam Chai
 - (b) Mr. Chen Seng Chong
 - (c) Mr. Soo Yoke Mun
5. To re-elect Mr. Lim Hun Soon @ David Lim who retires pursuant to Article 85 of the Company's Articles of Association.
6. To re-elect Mr. Abdul Razak Bin Shakor who retires pursuant to Article 85 of the Company's Article of Association.
7. To re-appoint Messrs. Cheng & Co. as the Company's Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

8. 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."
9. 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."
10. To consider and, if thought fit, to pass with or without modifications, the following Ordinary Resolutions:

10.1 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 of the 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."

Note B

Resolution 1

Resolution 2

Resolution 3

Resolution 4

Resolution 5

Resolution 6

Resolution 7

Resolution 8

Resolution 9

Resolution 10

Resolution 11

10.2 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")

"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 29 April 2016, 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 an 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."

Resolution 12

10.3 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")

"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 29 April 2016, 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 an 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 (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

Resolution 13

Notice of Annual General Meeting *continued*

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,
whichever is the earlier.”

11. 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

29 April 2016

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 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, 47410 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting (i.e., 10.00 a.m. on Friday, 27 May 2016) or at any adjournment thereof.

B. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

Resolution 9 & 10 - 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 for 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. Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun have remained objective and independent in expressing their views and in participating in deliberation and decision making of the Board and Board Committees. Their length of services on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company. In addition, Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun had individually confirmed and declared in writing that they are Independent Directors and they have satisfied all the criteria of an Independent Director set out in paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board has therefore recommended that the approval of the shareholders be sought to re-appoint Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun as Independent Non-Executive Directors.

Resolutions 9 & 10 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 11 - 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 Eleventh Annual General Meeting held on 29 May 2015 which will lapse at the conclusion of the Twelfth 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 Eleventh Annual General Meeting because there were no investment(s), acquisition(s) or working capital that required fund raising activity.

Resolutions 12 and 13 - Proposed Renewal of Shareholders' Mandate

The Proposed Ordinary Resolutions under items 10.2 and 10.3 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 29 April 2016 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 29 April 2016 enclosed together with the Company's 2015 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 18 May 2016. Only a depositor whose names appear in the Record of Depositors as at 18 May 2016 will be entitled to attend, speak and vote at the Meeting.

Board of Directors



Front Row Left to Right

GAN THIAM CHAI Executive Chairman

GAN THIAM HOCK Non-Independent Executive Director

KWAN SOK KAY Non-Independent Executive Director

TIMOTHY TAN HENG HAN Managing Director

Absent

ABDUL RAZAK BIN SHAKOR

(Non-Independent Non-Executive Director, Alternate Director To Jayendra Janardan Ved)



Back Row Left to Right

NARESHCHANDRA GORDHANDAS NAGRECHA Non-Independent Non-Executive Director

CHEN SENG CHONG Senior Independent Non-Executive Director

LIM PENG @ LIM PANG TUN Independent Non-Executive Director

LIM HUN SOON @ DAVID LIM Independent Non-Executive Director

SOO YOKE MUN Independent Non-Executive Director

JAYENDRA JANARDAN VED Non-Independent Non-Executive Director

Executive Chairman's Profile

GAN THIAM CHAI

Executive Chairman

Gan Thiam Chai ("T.C.Gan"), aged 62, 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 2015.

Managing Director's Profile

TIMOTHY TAN HENG HAN

Managing Director

Timothy Tan Heng Han, aged 35, a Malaysian, was appointed to the Board on 25 November 2013 and redesignated as Managing Director of Kawan Food Berhad on 21 April 2015.

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

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

Mr. Timothy Tan is the son-in-law of Mr. T.C. Gan and Mdm. Kwan Sok Kay. He has never been convicted for any offence within the past ten (10) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2015.

Directors' Profiles

GAN THIAM HOCK

Non-Independent Executive Director

Gan Thiam Hock ("T.H.Gan"), aged 53, 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.

Directors' Profiles *continued*

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 four (4) out of five (5) Board Meetings held during the financial year ended 31 December 2015.

KWAN SOK KAY

Non-Independent Executive Director

Kwan Sok Kay, aged 61, 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 2015.

NARESHCHANDRA GORDHANDAS NAGRECHA

Non-Independent Non-Executive Director

Nareshchandra Gordhandas Nagrecha, aged 65, 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 (U.K). He subsequently obtained Post-Graduate Diploma in Management Studies.

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

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

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

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

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

Mr. Nagrecha is keenly involved in charitable work with Sanskrut 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 2015.

JAYENDRA JANARDAN VED

Non-Independent Non-Executive Director

Jayendra Janardan Ved, aged 53, 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 three (3) out of five (5) Board Meetings held during the financial year ended 31 December 2015.

CHEN SENG CHONG

Senior Independent Non-Executive Director

Chen Seng Chong, aged 67, a Malaysian, was appointed to the Board on 16 May 2005. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Company.

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

Mr. Chen does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2015.

LIM HUN SOON @ DAVID LIM

Independent Non-Executive Director

Lim Hun Soon @ David Lim, aged 61, a Malaysian, was appointed to the Board on 21 October 2015. He is also the Chairman of the Audit Committee and a member of Nominating Committee of the Company.

Mr Lim holds a Bachelor of Arts (Honours) degree in Economics from University of Leeds, United Kingdom. He joined Peat Marwick Mitchell (now known as KPMG), United Kingdom in 1978. He returned to Malaysia in 1982 and continued his career in KPMG Malaysia until his retirement in 2011. He was admitted as partner of KPMG Malaysia in 1990 and was on the Management Committee from 1997 to 2001 and served on the Partnership Supervisory Council from 2002 to 2010.

In 2006, Mr. Lim was tasked to start up the Audit Committee Institute, Malaysia ("ACI Malaysia"), which was a virtual worldwide initiative sponsored by KPMG to assist Independent Directors in enhancing their awareness and ability to implement effective board processes. He actively served as an examiner for Company Law examinations in the Malaysian Institute of Certified Public Accountants ("MICPA") for over a period of ten (10) years. Mr. Lim was also the Chairman of the MICPA Code of Ethics Committee and a member of the Malaysian Institute of Accountants Code of Ethics Committee from 2002 to 2004. In May 2013, Mr Lim was appointed as a Council member of Institute of Chartered Accountants in England & Wales for a tenure of two years which he had completed in 2015, and was renewed for a further term of two (2) years till 2007.

Directors' Profiles *continued*

Mr. Lim is an Independent Non-Executive Director of Affin Investment Bank Berhad, Manulife Insurance Berhad, Manulife Holdings Berhad, Ann Joo Resources Berhad, Affin Hwang Investment Bank Berhad, Sasbadi Holdings Berhad, Ranhill Holdings Berhad and Rockwills trustee Berhad.

Mr. Lim does not have any family relationship with any Director and/or major shareholder of the Company. He has never been convicted for any offence within the past ten (10) years. He attended the remaining One (1) Board Meeting held during the financial year ended 31 December 2015 subsequent to his appointment.

LIM PENG @ LIM PANG TUN

Independent Non-Executive Director

Lim Peng @ Lim Pang Tun, aged 60, 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. 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, Director of Paos Holdings Berhad and Vice-President, Finance and Treasury with Star Cruises Ltd. He was also previously the Vice-President, Business Development of Hwang-DBS Investment Bank Berhad and General Manager, Corporate Finance of Affin Investment Bank Berhad. He is currently involved in private investment ventures.

Mr. Lim does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2015.

SOO YOKE MUN

Independent Non-Executive Director

Soo Yoke Mun, aged 66, 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 2015.

ABDUL RAZAK BIN SHAKOR

*Non-Independent Non-Executive Director
(Alternate Director To Jayendra Janardan Ved)*

Abduk Razak Bin Shakor, aged 59, a Malaysian, was appointed to the Board on 21 October 2015. He is the alternate director to Jayendra Janardan Ved.

Encik Abdul Razak attended Institute Technology MARA, Malaysia, majoring in Insurance. He has obtained Certificate from Lloyds of London, Charter Insurance Institute and Institute of Risk Management. He has more than 36 years working experience in risk management, insurance and financial services sector in Malaysia and Internationally. He is the Managing Director and founder of Esperanza Management Advisors Sdn. Bhd.

Encik Abdul Razak does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years. He did not attend any Board Meetings held during the financial year ended 31 December 2015 subsequent to his appointment.

Group Corporate Structure



Group Financial Highlights

	2015	2014	2013	2012	2011
KEY RESULTS (RM'000)					
Revenue	165,773	149,524	126,426	110,227	104,027
Operating profit (EBITDA)	46,735	32,541	26,795	23,134	23,526
Profit before tax	40,135	26,285	20,645	16,881	18,117
Net profit attributable to shareholders of the Company	32,035	20,908	16,176	13,545	14,206
BALANCE SHEET AND OTHER KEY DATA (RM'000)					
Total assets	273,546	186,525	159,645	140,919	129,899
Total liabilities	56,741	32,106	23,833	22,122	21,697
Share capital (Ordinary shares of RM0.50 each)	104,839	91,175	60,000	60,000	60,000
Equity attributable to shareholders of the Company	216,806	154,425	135,839	118,808	108,200
Total borrowings	26,432	6,868	3,066	3,991	4,872
Total equity	216,806	154,419	135,812	118,796	108,201
Net cash from operating activities	35,507	24,343	22,022	23,055	7,156
Cash and cash equivalents	63,018	37,032	36,146	25,614	16,800
FINANCIAL RATIOS					
Revenue growth (%)	10.87	18.27	14.70	5.96	12.84
Current ratio (times)	3.66	3.37	3.98	3.50	3.80
Cash ratio (times)	2.01	1.46	1.93	1.53	1.10
P/E ratio (times)	21.92	12.16	15.53	11.55	12.72
Total borrowings/Equity (%)	12.19	4.45	2.26	3.36	4.50
Long term borrowings/Equity (%)	11.70	3.78	1.54	2.58	3.67
SHARE INFORMATION					
Basic earnings per share (sen)	16.38	11.51	8.95	7.49	7.86
Dividend per share (sen)	2.00	5.40	1.80	1.80	1.40
Net assets per share attributable to shareholders of the Company (RM)	1.03	0.85	1.13	0.99	0.90
Share price - High (RM)	4.00	2.75	1.39	1.10	1.42
Share price - Low (RM)	1.40	1.30	0.77	0.80	0.80
Share price as at 31 December (RM)	3.59	1.40	1.39	0.865	1.00
Company market capitalisation (RM'000)	752,742	255,289	166,800	103,800	120,000

Executive Chairman's Statement

“On behalf of the Board of Directors, I have 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 2015.”

KAWAN Food Berhad 640445-V • Annual Report 2015

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FINANCIAL HIGHLIGHTS

2015 marked a great year for the Group as sales revenue continued to grow positively to surpass the RM165 million mark. This achievement would not have been possible if not for the immense support, input and the relentless hard work rendered by the Board of Directors, the Management team and the entire staff force of the Group. I value very much the perseverance, diligence, invaluable contribution and the loyalty of each and every colleague of mine. I hope and I am sure that this team spirit will continue to be built upon in the coming years so that the Group's achievements can be brought to even greater heights.

The Group recorded sales of RM165.7 million in 2015 which represented a 10% increase over the 2014 sales of RM149.5 million. The key driver of this growth came from exports. The Malaysia domestic sales was impacted by the weak consumer sentiment as a result of the implementation of Goods and Services Tax in April 2015, the political uncertainty and the weakening of the Ringgit in the global market.

The Group profit before tax grew from RM26.3 million to RM40.1 million and the profit after tax also saw a big increase of 53% to RM32 million compared to 2014.

The Group gearing stood at 0.12 times as at last financial year end as compared to 0.04 times in financial year ended 31 December 2014. The increase was a result from the additional financing from bank for the Pulau Indah expansion plan.

SHAREHOLDER APPRECIATION

We have rewarded our shareholders in the past through dividend, free warrant, bonus issue and share price appreciation.

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

On 4 March 2016, the Company declared an interim single tier dividend of 2.5 sen per ordinary share totalling RM5,759,354.81 in respect of the financial year ending 31 December 2016. The dividend was paid on 22 April 2016.

The Group 5 years warrant will expired on 28 July 2016. In year 2015, the Group received RM25,415,462 from the conversion of 27,328,454 warrants into share capital at an exercise price of RM0.93 per warrant. From 1 January 2016 till 18 April 2016, another 25,696,598 warrants were converted. The balance unexercised warrant as at 18 April 2016 is 34,625,542.

Over the past 12 months to 31 March 2016, our market capitalisation has risen from RM314 million to RM775 million. This milestone achievement further demonstrates our sound fundamentals.

CORPORATE SOCIAL RESPONSIBILITY

This year, we focused more on sports, as we believe that sports can bring Malaysians from all walks of life together. Food and staying healthy come hand in hand. We believe that staying active must also be complemented with eating right. So, in order to promote that, we have sponsored events like the Chong Wen Kawan Cup, Mahkota Charity Run: United Against Cancer, etc.

We have also sponsored some events conducted by local schools and universities. On top of that, we also participated in the breaking of fast during the holy month of Ramadhan with the children from one of the chosen orphanages. The children enjoyed the entertainment that was arranged for them and were also presented with small 'Duit Raya' to cultivate the habit of saving amongst them while they are young.

OUTLOOK AND PROSPECTS

As part of our ongoing expansion plans, the construction of RM150 million Pulau Indah plant has commenced and is targeted to be in operation by second half of 2016. Progress is moving positively in the right direction although slight delays have been experienced. This new plant with approximately built up area of 30,000 sq.meters, equipped with state-of-art facilities like Automated Storage & Retrieval System (ASRS) and innovative green technology that promote significant gain in water, energy and environmental conservation, when in operation shall allow us to consolidate all our existing operations under one roof; thus increasing our capacities while at the same time enhancing efficiencies and control apart from catering to the needs arising from the growth of business.

On the business front, the Group continues to build the KAWAN brand in key markets through above the line and below the line activities. The Group has launched a higher range of convenience products like the Ezy Paratha and Ezy Chapatti. These products are one level up in term of convenience from our traditional Kawan Paratha and Kawan Chapatti. The Ezy range of products are microwavable; thus making it so easy that even children can heat and eat on their own! In addition to that, we have been more active in our brand promotion activities. We have advertised on TV and also multiple social media platforms. We have also gone the unconventional path by sponsoring a local author to write a book named "Right From The Start" to improve our brand awareness.

On the R&D front, there are on-going efforts to improve on the quality of 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, we will also investing in more resources to make sure that we deliver the solutions to our consumers' needs; not only to the retail consumers, but also institutional buyers like hotels, restaurants and caterers.

Going forward, the challenges remain ever present as the market sentiments continue to be very cautious. There will be continued focus and investment on all fronts to develop the European market, which we believe holds higher potential in the medium to long term.

BOARD DEVELOPMENTS

I would like to announce the retirement of Mr Soo Yoke Mun from our Board on 31 May 2016. During his tenure as an independent director, Mr Soo's contribution has been invaluable to the Group and for this the Board would like to express its appreciation and gratitude. I would also like to welcome Mr Lim Hun Soon @ David Lim as a new Independent Non-Executive Director and Mr Abdul Razak Bin Shakor as a new Non-independent Non-Executive Director to the Group.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors and the Company, I would like to record our gratitude and appreciation to our shareholders, customers, business partners and bankers for their continued support, trust and confidence in the Group. Our appreciation is also accorded to the management team and employees for their hard work, dedication, commitment and contribution that have enabled another year of excellent performance.

Lastly, I would like to extend my sincere gratitude to my fellow board members for their invaluable contributions to the success of the Group during the course of the year.

Thank you.

GAN THIAM CHAI
Executive Chairman

Statement on Corporate Governance

The Board of Directors ("the Board") of Kawan Food Berhad ("KFB" or "the Company") recognises the importance of adopting corporate governance in the Group as the fundamental part of discharging its roles and responsibilities to protect and enhance shareholders' value and financial performance of the Group.

As such, the Board is pleased to present the following Corporate Governance Statement outlining the manner and extent to which the Group has applied the Principles and Recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG") for the financial year ended 31 December 2015.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Functions of the Board and the Management

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

Board Role and Responsibilities

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

- Review, challenge and approve the strategic plans prepared by the Management and to monitor the implementation of the plan.
- Oversee the conduct of the Group's business to ensure the objective are met, the business is sustainable, and, the relevant regulations are complied with;
- To identify principal business risks affecting the Group and ensure the implementation of appropriate system to manage these risks;
- Ensure that there are plans in place for orderly succession of senior management;
- Review the adequacy and effectiveness of the Group's risk management and internal control system.

Code of Conduct

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

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.

Access to Information and Advice

The Directors have full and unrestricted access to all information of the Group on a timely and accurate manner to enable them to discharge their roles and responsibilities. In addition, the Directors have full and unrestricted access to the Company Secretaries, the external auditors and the outsourced internal auditors for advice and services. If required, the Directors, collectively and individually, are also entitled to seek external independent professional advice at the Company's expense.

Statement on Corporate Governance *continued*

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.

Board Charter

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

PRINCIPLE 2 – STRENGTHEN COMPOSITION

Nominating Committee

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

- | | |
|---|------------|
| • CHEN SENG CHONG (Senior Independent Non-Executive Director)
(redesignated as Nominating Committee member on 24 Feb 2016) | (Chairman) |
| • LIM PENG @ LIM PANG TUN (Independent Non-Executive Director)
(redesignated as Nominating Committee chairman on 24 Feb 2016) | (Member) |
| • NARESHCHANDRA GORDHANDAS NAGRECHA
(Non-Independent Non-Executive Director) | (Member) |

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

- Ensure that the Company recruits, retains, trains and develop the best available executive and non-executive directors and managers' rewards and succession effectively;
- 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;
- 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;
- Recommend to the Board, Directors to fill the seats on Board Committees;
- Review the Board's structure and balance between Executive and Non-Executive Directors;
- 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 Director.
- Review the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors shall bring to the Board; and
- Perform any other ad-hoc duties that may be required by the Board.

Statement on Corporate Governance *continued*

During the financial year under review, four (4) Nominating Committee Meetings were 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;
- Evaluated the performance and effectiveness of the Board and each individual director; and
- Assessed and recommended of Mr. Lim Hun Soon @ David @ Lim for appointment as an Independent Non-Executive director and Mr. Abdul Razak Bin Shakor as a Non-Independent Non-Executive Director, alternate director to Mr Jayendra Janardan Ved.

Recruitment and Annual Assessment of Directors

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.

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.

Remuneration Committee and Remuneration Policies and Procedures

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

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

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.

During the financial year under review, there were two (2) meetings held and attended by all Remuneration Committee, during which the remuneration packages of the Executive Director's and Directors' Fees for all the Directors were reviewed and discussed.

Statement on Corporate Governance *continued*

The aggregate Directors' remuneration paid to all Directors of the Company who served the Group during the year ended 31 December 2015 are as follows:

	Fees RM'000	Benefits- in-kind RM'000	Salaries, Bonuses & EPF RM'000	Total RM'000
Executive Directors	142	57	2,352	2,551
Non-Executive Directors	192	-	-	192
Total	334	57	2,352	2,743

The number of Directors of the Company who served during the financial year ended 31 December 2015 and whose income derived from the Group falls within the following bands are:

	Executive Directors	Non- Executive Directors
RM50,000 and below	-	6
RM300,001 to RM600,000	2	-
RM600,001 to RM900,000	2	-
Total	4	6

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

PRINCIPLE 3 – REINFORCE INDEPENDENCE

Annual Assessment of Independent Directors

The Board shall assess the independence of the Independent Directors on an annual basis based on the criteria formulated by the Nominating Committee. As at the date of approval for issuance of this statement, the Board has, on the recommendation of the Nominating Committee, reviewed and assessed the independence of the Independent Directors of the Company for year ended 31 December 2015.

Tenure of an Independent Director

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

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

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

Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun 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 Director. The Board is satisfied that they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interest of the Company. In view thereof, the approval of the shareholders of the Company will be sought for the re-appointment of Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun as Independent Non-Executive Directors at the Twelfth Annual General Meeting of the Company.

Separation of Position of Chairman and Managing Director

The Board practices the separation of the positions of Chairman and Managing Director and the division in their responsibilities.

Mr. Gan Thiam Chai, who is the Non-independent Executive Director, is the Chairman of the Group and he is responsible for the business direction and development of the Group while Mr Timothy Tan Heng Han, who is the Managing Director of the Group, is responsible for the day-to-day management of the operations of the Group.

Statement on Corporate Governance *continued*

Composition of the Board

The Board currently has ten (10) 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 three (3) Independent Non-Executive Directors. The profile of each Director is presented on pages 8 to 13 of this Annual Report.

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.

PRINCIPLE 4 – FOSTER COMMITMENT

Time Commitment

During the financial year ended 31 December 2015, the Board met five (5) times, with details of the attendance as follows:

Name of Directors	Number of Meetings Attended
GAN THIAM CHAI	5/5
TIMOTHY TAN HENG HAN	5/5
GAN THIAM HOCK	4/5
KWAN SOK KAY	5/5
NARESHCHANDRA GORDHANDAS NAGRECHA	4/5
JAYENDRA JANARDAN VED	3/5
CHEN SENG CHONG	5/5
LIM HUN SOON @ DAVID LIM	1/1*
LIM PENG @ LIM PANG TUN	5/5
SOO YOKE MUN	5/5

*Subsequent to his appointment.

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

Save for Mr. Lim Hun Soon @ David Lim, the Directors do not have directorship in any other listed companies. As for Mr. Lim Hun Soon @ David Lim, he complied with the Listing Requirements of Bursa Securities that he does not hold more than five (5) directorships in listed companies.

Continuing Education Programmes

All the Directors of the Company except for Mr Abdul Razak Bin Shakor who will attend the Mandatory Accreditation Programme ("MAP") on the 4th and 5th May 2016, have attended the 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 2015, the training programmes and seminars attended by the Directors are as follows:

Directors	Course/Seminar/Conference
GAN THIAM CHAI	• Development & Establishment of the MS1480: 2007 HACCP System
TIMOTHY TAN HENG HAN	• Handling Press Conferences, Media Interviews & Tricky Media Questions • Finance for Non-financial Directors • Upgrade of BRC Global Standard Food Safety (Issue 7)
GAN THIAM HOCK	• Effective Board Evaluation
KWAN SOK KAY	• Upgrade of BRC Global Standard Food Safety (Issue 7)

Statement on Corporate Governance *continued*

Directors

Course/Seminar/Conference

CHEN SENG CHONG	<ul style="list-style-type: none"> • Risk Management and Internal Control: Workshop for Audit Committee Member • Effective Board Evaluation • Trouble in the Board Room
JAYENDRA JANARDAN VED	<ul style="list-style-type: none"> • Accounting & Auditing Quarterly Update • Corporation, VAT and Personal Tax Six Monthly Update • Tax Consideration When Buying Selling Companies • Tax Effective Remuneration Package • Charities Accounts and Audit • Group Accounts, Intangible Assets and Goodwill under FRS102 • FRS102 Transition, Introduction, Advance Areas, Tricky Bits and Tax Consequences
LIM HUN SOON @ DAVID LIM	<ul style="list-style-type: none"> • Economic and Financial Market Post Global Financial Crisis, Economic Outlook, Issues and Prospect & Addressing Concern on TPPA • Capital Market Directors Programme – Module 1,2A,2B, 3 and 4 • Enhancing Mindfulness and Emotional Intelligence in Life • Board's Strategic Leadership: Innovation & Growth in Uncertain Times • Affin Hwang Capital Conference Series 2015: Navigating Through Turbulent Times • MIA International Accountant Conference 2015 • The Malaysia Economy: Prospects and Challengers • Resolving Conflict in the Boardroom • Audit Committee Conference 2015: Rising to New Challengers
LIM PENG @ LIM PANG TUN	<ul style="list-style-type: none"> • Trouble in the Boardroom • Risk Management & Internal Control: Workshop For Audit Committee Member
SOO YOKE MUN	<ul style="list-style-type: none"> • National Tax Conference 2015 • Budget 2016 Seminar • MIA International Accountant Conference 2015

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

The financial statements of the Group were prepared in accordance with the applicable accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Board is committed to provide a fair assessment of the Group's performance, position and prospects primarily through the annual financial statements, quarterly financial reports and corporate announcements on significant developments to the shareholders.

The Audit Committee, which assist the Board in discharging its duties on financial reporting is to ensure that the financial statements of the Group comply with applicable financial reporting standards in Malaysia.

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

Assessment of Suitability and Independence of External Auditors

The Audit Committee assesses the suitability and independence of the external auditors on annual basis. The external auditor have also confirmed that they are, and have been, independent throughout their audit engagement.

The Audit Committee is satisfied with the performance, competence and independence of the external auditors and had recommended their re-appointment to the Board for shareholders' approval at the forthcoming annual general meeting. For the financial year ended 31 December 2015, the fee incurred by the Group in relation to the non-audit services by the external auditors amounted to RM14,000.00.

Statement on Corporate Governance *continued*

PRINCIPLE 6 – RECOGNISE AND MANAGE RISK

Establishment of a sound Framework to Manage Risks

The Board recognises the importance of having effective governance embedding risk management and internal control processes, and acknowledges its overall responsibility for maintaining a sound risk management and internal control system and for reviewing their adequacy and effectiveness in order to safeguard stakeholders' investment and the Group assets.

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

Establishment of an Internal Audit Function

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

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Appropriate Corporate Disclosure Policies and Procedures

The Group is committed to a policy which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed 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 Group has in place a Corporate Disclosure Policy to ensure that comprehensive, accurate and timely disclosures are provided to shareholders and stakeholders.

Leverage on information Technology for Effective Dissemination of Information

The Company's website provides relevant information on the Group which is accessible to the public.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage Shareholder Participation at General Meetings

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.

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.

Effective Communication and Proactive Engagements with Shareholders

The Board believes the AGM is a principal forum for communication with the shareholders. As mentioned above, the Company will allocate time during the AGM for shareholders to ask questions about the Group and its operations. In addition, shareholders are able to obtain latest information of the Group at the Company's website.

This Statement was approved by the Board on 11 April 2016.

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 2015. Details of the attendance are as follows:-

Chairman:

LIM PENG @ LIM PANG TUN

5/5

(Redesignated as Audit Committee member on 24 February 2016. In place of Mr.Lim Peng @ Lim Peng Tun, Mr. Lim Hun Soon @ David Lim was appointed the Audit Committee Chairman effective 24 February 2016).

Member:

CHEN SENG CHONG

5/5

SOO YOKE MUN

5/5

Number of Meetings Attended

SUMMARY OF ACTIVITIES

The Committee carried out its duties in accordance with its terms of reference during the financial year ended 31 December 2015. 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 the Bursa Securities;
- b) Reviewed with the external auditors, the draft Audited Financial Statements for the financial year ended 31 December 2015 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 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 2015, 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 33 to 36 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 2015.

SHARE BUY-BACK

The Company did not carry out any share buy-back during the financial year ended 31 December 2015.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2015, the Company issued 27,328,454 new ordinary shares of RM0.5 each at RM0.93 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 2015.

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 2015.

NON-AUDIT FEE

During the financial year under review, non-audit fees paid to external auditors of the Company amounted to RM14,000.00.

VARIATION IN RESULTS

There was no material variance between the audited financial statements for the year ended 31 December 2015 and the announced unaudited financial statements for the fourth quarter ended 31 December 2015.

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 interest of Directors and/or major shareholders.

RECURRENT RELATED PARTY TRANSACTIONS

The Company had at its Annual General Meeting held on 29 May 2015 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 2015 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	Volaw Trustee Limited (Narvee) ("Volaw") <ul style="list-style-type: none"> 100% shareholder of Shana Mr. Nareshchandra Gordhandas Nagrecha ("Mr. Nagrecha") <ul style="list-style-type: none"> Beneficiary of the Narvee Foundation Director of Kawan and deemed interested in Kawan through Maybank Securities Nominees (Asing) Sdn Bhd Exempt acting as Nominee for Volaw in which Mr. Nagrecha and Mrs. Veena Nagrecha are the beneficiaries. 	11,620,819

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)
Shana Foods Limited ("Shana")	Purchase of frozen food products from KFB or its subsidiaries	<p>Mrs. Veena Nagrecha</p> <ul style="list-style-type: none"> • Spouse of Mr. Nagrecha • Beneficiary of the Narvee Foundation • Deemed interested in Kawan through Maybank Securities Nominees (Asing) Sdn Bhd Exempt acting as Nominee for Volaw in which Mr. Nagrecha and Mrs. Veena Nagrecha are the beneficiaries. <p>Mr. Jayendra Janardan Ved ("Ved")</p> <ul style="list-style-type: none"> • Director of Kawan • Deemed interested by virtue of him being a person connected to Mr. Nagrecha and a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Mr. Nagrecha and Mrs. Veena Nagrecha. <p>Mr. Abdul Razak Bin Shakor</p> <ul style="list-style-type: none"> • Alternate Director to Mr. Ved • Deemed interested by virtue of him being an associate of Mr. Ved who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Mr. Nagrecha and Mrs. Veena Nagrecha. 	
Rubicon Food Products Limited ("Rubicon")	Purchase of frozen food products from KFB or its subsidiaries	<p>Mr. Nagrecha</p> <ul style="list-style-type: none"> • Director of Kawan and deemed interested in Kawan through Maybank Securities Nominees (Asing) Sdn Bhd Exempt acting as Nominee for Volaw in which Mr. Nagrecha and Mrs. Veena Nagrecha are the beneficiaries. • Director and 50% shareholder of Rubicon • Spouse of Mrs. Veena Nagrecha <p>Mr. Ved</p> <ul style="list-style-type: none"> • Director of Kawan • Deemed interested by virtue of him being a person connected to Mr. Nagrecha and a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Mr. Nagrecha and Mrs. Veena Nagrecha. 	6,543,839

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)
Rubicon Food Products Limited ("Rubicon")	Purchase of frozen food products from KFB or its subsidiaries	<p>Mr. Abdul Razak Bin Shakor</p> <ul style="list-style-type: none"> • Alternate Director to Mr. Ved • Deemed interested by virtue of him being an associate of Mr. Ved who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Mr. Nagrecha and Mrs. Veena Nagrecha. <p><i>Persons connected to Mr. Nagrecha:-</i></p> <p>Mrs. Veena Nagrecha</p> <ul style="list-style-type: none"> • Spouse of Mr. Nagrecha • 50% shareholder of Rubicon • Deemed interested in Kawan through Maybank Securities Nominees (Asing) Sdn Bhd Exempt acting as Nominee for Volaw in which Mr. Nagrecha and Mrs. Veena Nagrecha are the beneficiaries. 	
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 	794,581

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 	9,384,783

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)
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 	1,490,833
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 	2,200,234

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 2015. This Statement has been prepared pursuant to paragraph 15.26 (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Board Responsibility

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, at a meeting held on 11 April 2016, the Board has also received assurance from the Managing Director and Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system put into effect by Management is designed to 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 and not absolute assurance against material misstatement or loss.

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

1. RISK MANAGEMENT

The Board has established a structured Risk Management Framework to facilitate the Group's objective to identify, evaluate and manage significant business risk. The framework includes examining of business risks, assessing impact and likelihood of risks and taking management action plans to mitigate and minimise risk exposures. The Risk Management Working Committee ("RMWC") meets at least 2 times a year (i.e. on 21 May 2015 and 18 November 2015 during the financial year ended 31 December 2015) 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 activities, and reported to the Audit Committee at their scheduled meeting held on 26 November 2015.

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

2. PRINCIPAL RISKS

The principal risks identified for the financial year 2015 are outlined below:

(i) Information Technology Management:

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

Control in place:

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

Statement on Risk Management and Internal Control *continued*

(ii) Currency:

The risk of loss as a result of unfavourable movements of the foreign exchange rate.

Control in place:

- Enter into forward exchange contracts, where appropriate, to manage the exposure to foreign currency.

(iii) Human Resource Management:

The risk if failure to attract and retain resources to meet future business needs which will lead to operation disruption.

Control in place:

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

(iv) Quality Control Management:

The risk of inconsistent product quality with impact to earnings, business operations and reputation.

Control in place:

- Implement reward and punishment program.
- Stringent quality control tests on samples of products.
- Undergo in-house GMP training for every production operators.

(v) Sabotage:

The risk of damage to company's reputation and brand due to intentionally disruptive actions, integrity issues and breach of trust.

Control in place:

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

(vi) Regulatory Management:

Failure to meet statutory/regulatory requirements and food safety management system on Halal, British Retail Consortium ("BRC"), Occupational Safety and Health Administration ("OSHA") and MOH MS1480 HACCP certification will have adverse impact on the company business and reputation.

Control in place:

- Conducting regular internal audit by relevant committees.
- Monitor suppliers' compliance via their latest halal certificate.
- Provide training for new committee members.
- Update committee members on the latest updates on respective regulations.

Statement on Risk Management and Internal Control continued

3. INTERNAL AUDIT FUNCTION

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

During the financial year ended 31 December 2015, internal audits were carried out in accordance with the risk based internal audit plan approved by the Audit Committee. The business processes reviewed were recurrent related party transactions and treasury management processes of Kawan Food Berhad, human resource management process of Kawan Food (Nantong) Co., Ltd, and management of information system and treasury management processes of Kawan Food Manufacturing Sdn Bhd. The results of the audit reviews were discussed with Senior Management and subsequently, the audit findings, including the recommendations for improvement were reported to the Audit Committee at the quarterly meetings. In addition, follow up reviews on previous audit area of Kawan Food (Nantong) Co., Ltd and Kawan Food Manufacturing Sdn Bhd were also conducted to ensure that corrective actions have been implemented in a timely manner and the results of the follow up reviews were also reported to the Audit Committee in the quarterly meetings.

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

Total professional fees paid for outsourcing of internal audit function for the year ended 31 December 2015 was RM54,000.

4. INTERNAL CONTROL SYSTEM

- The Board and Audit Committee

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

- Organisational Structure and Authorisation Procedures

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

- Periodical and/or Annual Budget

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

- Group Policies and Procedures

Documented policies and procedures are in place and are regularly reviewed and updated to ensure that they maintains 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.

Statement on Risk Management and Internal Control *continued*

- External Certification

There were two (2) surveillance audits conducted in January and June 2015 in respect of ISO22000:2005 Food Safety Management Systems, and one (1) surveillance audit conducted in respect of BRC Global Standard for Food Safety in January 2015 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.

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 December 2015 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 11 April 2016.

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 2015, 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 11 April 2016.

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 2015.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group	Company
	RM	RM
Net profit for the financial year attributable to: Owners of the Company	32,034,520	16,998,917

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

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company declared and paid an interim single tier dividend of 2 sen per ordinary share of RM0.50 each totalling RM3,657,137 in respect of the financial year ended 31 December 2015 on 2 April 2015.

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

DIRECTORS

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

Gan Thiam Chai

Timothy Tan Heng Han

Gan Thiam Hock

Kwan Sok Kay

Nareshchandra Gordhandas Nagrecha

Jayendra Janardan Ved

Chen Seng Chong

Lim Hun Soon @ David Lim (appointed on 21 October 2015)

Lim Peng @ Lim Pang Tun

Soo Yoke Mun

Abdul Razak Bin Shakor (appointed as alternate Director to Jayendra Janardan Ved on 21 October 2015)

Directors' Report *continued*

DIRECTORS' INTERESTS

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

Number of ordinary shares of RM0.50 each				
	At 1.1.2015	Bought	Sold	At 31.12.2015
The Company				
Direct interests				
Gan Thiam Chai	59,939,991	-	(4,337,000)	55,602,991
Timothy Tan Heng Han	67,500	-	-	67,500
Gan Thiam Hock	15,120,000	3,460,000	(3,379,800)	15,200,200
Kwan Sok Kay	15,090,750	-	(6,000,000)	9,090,750
Chen Seng Chong	337,500	70,000	-	407,500
Lim Peng @ Lim Pang Tun	225,000	-	-	225,000
Deemed interests				
Gan Thiam Chai	193,575	-	-	193,575
Timothy Tan Heng Han	193,575	-	-	193,575
Kwan Sok Kay	193,575	-	-	193,575
Nareshchandra Gordhandas Nagrecha	43,200,000	12,500,000	(7,807,500)	47,892,500

Number of warrants 2011/2016				
	At 1.1.2015	Bought	Sold	At 31.12.2015
The Company				
Direct interests				
Gan Thiam Chai	29,970,001	-	-	29,970,001
Timothy Tan Heng Han	33,750	-	-	33,750
Gan Thiam Hock	7,560,000	-	(4,310,000)	3,250,000
Kwan Sok Kay	7,545,375	-	(4,653,354)	2,892,021
Chen Seng Chong	168,750	-	(100,000)	68,750
Lim Peng @ Lim Pang Tun	112,500	-	-	112,500
Deemed interests				
Gan Thiam Chai	96,787	-	-	96,787
Timothy Tan Heng Han	96,787	-	-	96,787
Kwan Sok Kay	96,787	-	-	96,787
Nareshchandra Gordhandas Nagrecha	21,600,000	-	(12,500,000)	9,100,000

Directors' Report *continued*

DIRECTORS' INTERESTS *continued*

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

None of the other Directors holding office at 31 December 2015 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 within the Group in the ordinary course of business as disclosed in Note 30 to the financial statements.

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

ISSUE OF SHARES AND DEBENTURES

The issued and paid-up share capital of the Company was increased during the financial year through the issuance of 27,328,454 ordinary shares of RM0.50 each. The issuance of shares is from the conversion of 27,328,454 warrants at an exercise price of RM0.93 per warrant from 9 January 2015 to 31 December 2015.

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

OPTION GRANTED OVER UNISSUED SHARES

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

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

WARRANTS

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

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

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

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.

Directors' Report *continued*

OTHER STATUTORY INFORMATION *continued*

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 inappropriate; or
- d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

In the opinion of the Directors:

- a) 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

Selangor,

Date: 11 April 2016

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 2015 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out in Note 33 to the financial statements on page 105 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

Selangor,
Date: 11 April 2016

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 2015 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 2015 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.

Independent Auditors' Report to the Members of Kawan Food Berhad *continued*

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

Kuala Lumpur,

Date: 11 April 2016

YAP PENG BOON

2118/12/16 (J)

Chartered Accountant

Statements of Financial Position

As at 31 December 2015

		Group		Company	
		2015	2014	2015	2014
Note		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	152,519,023	95,338,732	-	-
Investment properties	5	2,681,166	2,644,330	-	-
Prepaid lease payments	6	3,483,319	3,037,268	-	-
Investment in subsidiaries	7	-	-	61,137,460	56,294,436
Deferred tax assets	9	188,382	26,947	-	-
Trade and other receivables	10	-	-	4,726,700	3,846,150
		158,871,890	101,047,277	65,864,160	60,140,586
Current assets					
Other investments	11	1,615,649	6,641,147	-	-
Inventories	12	9,392,505	12,349,674	-	-
Current tax assets		1,671,029	22,763	-	-
Trade and other receivables	10	38,819,755	29,297,003	57,793,045	35,123,389
Prepayments		157,535	135,096	-	-
Cash and cash equivalents	13	63,018,086	37,032,486	11,802,753	1,362,118
		114,674,559	85,478,169	69,595,798	36,485,507
Total assets		273,546,449	186,525,446	135,459,958	96,626,093
EQUITY AND LIABILITIES					
Equity					
Share capital	14	104,838,773	91,174,546	104,838,773	91,174,546
Reserves	15	111,966,850	63,250,051	30,027,733	4,934,718
Equity attributable to owners of the Company		216,805,623	154,424,597	134,866,506	96,109,264
Non-controlling interests		-	(5,160)	-	-
Total equity		216,805,623	154,419,437	134,866,506	96,109,264
Liabilities					
Non-current liabilities					
Loans and borrowings	16	25,357,511	5,842,455	-	-
Deferred tax liabilities	9	58,536	862,754	-	-
		25,416,047	6,705,209	-	-
Current liabilities					
Loans and borrowings	16	1,074,334	1,025,484	-	-
Trade and other payables	17	27,934,446	22,925,489	572,732	397,579
Current tax liabilities		2,315,999	1,449,827	20,720	119,250
		31,324,779	25,400,800	593,452	516,829
Total liabilities		56,740,826	32,106,009	593,452	516,829
Total equity and liabilities		273,546,449	186,525,446	135,459,958	96,626,093

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 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RM	RM	RM	RM
Revenue	18	165,773,327	149,524,306	7,800,002	19,801,201
Cost of sales		(89,214,888)	(85,798,896)	-	-
Gross profit		76,558,439	63,725,410	7,800,002	19,801,201
Other income		8,612,932	3,726,988	7,407,072	2,186,411
Selling and distribution expenses		(29,082,877)	(27,288,833)	-	-
Administrative expenses		(15,902,948)	(13,607,770)	(901,224)	(961,589)
Profit from operating activities		40,185,546	26,555,795	14,305,850	21,026,023
Finance income	20	359,245	264,287	3,258,188	2,013,653
Finance costs	21	(410,091)	(407,024)	(59)	(72)
Share of loss of equity-accounted investee		-	(128,214)	-	-
Profit before tax	19	40,134,700	26,284,844	17,563,979	23,039,604
Income tax expense	22	(8,100,180)	(5,355,670)	(565,062)	(357,370)
Net profit for the year		32,034,520	20,929,174	16,998,917	22,682,234
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	8,588,181	1,981,340	-	-
Total comprehensive income for the year		40,622,701	22,910,514	16,998,917	22,682,234
Net profit attributable to:					
Owners of the Company		32,034,520	20,908,134	16,998,917	22,682,234
Non-controlling interests		-	21,040	-	-
Net profit for the financial year		32,034,520	20,929,174	16,998,917	22,682,234
Total comprehensive income attributable to:					
Owners of the Company		40,622,701	22,889,474	16,998,917	22,682,234
Non-controlling interests		-	21,040	-	-
Total comprehensive income for the financial year		40,622,701	22,910,514	16,998,917	22,682,234
Earnings per ordinary share:		2015	2014		
		sen	sen		
Basic	24	16.38	11.51		
Diluted	24	13.83	9.90		

The accompanying notes form an integral part of these financial statements

Statements of Changes in Equity

For the financial year ended 31 December 2015

Group	Note	Attributable to owners of the Company		
		Non-distributable		
		Share capital	Share premium	Translation reserve
		RM	RM	RM
At 1 January 2014		60,000,000	-	3,336,383
Net profit for the financial year		-	-	-
Other comprehensive income for the financial year		-	-	1,981,340
Total comprehensive income for the financial year		-	-	1,981,340
Contributions by and distributions to owners				
- issuance of shares pursuant to warrant conversion	14	783,033	1,409,458	-
- bonus issue	14&15	30,391,513	(1,409,458)	-
- dividends to owners of the Company	25	-	-	-
At 31 December 2014/1 January 2015		91,174,546	-	5,317,723
Net profit for the financial year		-	-	-
Other comprehensive income for the financial year		-	-	8,588,181
Total comprehensive income for the financial year		-	-	8,588,181
Contributions by and distributions to owners				
- issuance of shares pursuant to warrant conversion	14	13,664,227	11,751,235	-
- dividends to owners of the Company	25	-	-	-
Changes in interests in a subsidiary		-	-	-
At 31 December 2015		104,838,773	11,751,235	13,905,904

The accompanying notes form an integral part of these financial statements

<div>Distributable</div>		Equity attributable to owners of the Company	Non-controlling interests	Total equity
Retained earnings				
RM	RM	RM	RM	RM
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	
32,034,520	32,034,520	-	32,034,520	
-	8,588,181	-	8,588,181	
32,034,520	40,622,701	-	40,622,701	
-	25,415,462	-	25,415,462	
(3,657,137)	(3,657,137)	-	(3,657,137)	
-	-	5,160	5,160	
86,309,711	216,805,623	-	216,805,623	

Statements of Changes in Equity

For the financial year ended 31 December 2015

Non-distributable + Distributable

Company	Note	Share capital	Share premium	Retained earnings	Total
		RM	RM	RM	RM
At 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 owners of the Company	25	-	-	(6,495,897)	(6,495,897)
At 31 December 2014/1 January 2015		91,174,546	-	4,934,718	96,109,264
Total comprehensive income for the financial year		-	-	16,998,917	16,998,917
Contributions by and distributions to owners					
- issuance of shares pursuant to warrant conversion	14	13,664,227	11,751,235	-	25,415,462
- dividends to owner of the Company	25	-	-	(3,657,137)	(3,657,137)
At 31 December 2015		104,838,773	11,751,235	18,276,498	134,866,506

The accompanying notes form an integral part of these financial statements

Statements of Cash Flows

For the financial year ended 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RM	RM	RM	RM
Cash flows from operating activities					
Profit before tax		40,134,700	26,284,844	17,563,979	23,039,604
Adjustments for:					
Amortisation for prepaid lease payments	6	84,958	72,316	-	-
Depreciation of investment properties	5	53,783	51,992	-	-
Depreciation of property, plant and equipment	4	6,736,075	6,268,020	-	-
Dividend income		-	-	(7,800,002)	(19,801,201)
Finance income	20	(359,245)	(264,287)	(3,258,188)	(2,013,653)
Interest expense		85,226	132,650	-	-
Gain on disposal of property, plant and equipment	19	(24,072)	(12,593)	-	-
Share of loss of equity-accounted investee		-	128,214	-	-
Net impairment loss on financial assets		78,400	814,800	-	-
Unrealised foreign exchange differences		1,061,690	(865,870)	(7,255,587)	(2,099,638)
Operating profit/(loss) before working capital changes		47,851,515	32,610,086	(749,798)	(874,888)
Changes in working capital:					
Inventories		2,957,169	(3,804,577)	-	-
Trade and other receivables, prepayments and other financial assets		(9,320,774)	(5,153,936)	(18,072,984)	(15,216,703)
Trade and other payables		5,191,406	5,992,967	175,153	43,496
Cash generated from/(used in) operations		46,679,316	29,644,540	(18,647,629)	(16,048,095)
Dividend received		-	-	7,800,002	19,801,201
Income tax paid		(11,803,097)	(5,379,354)	(663,592)	(267,479)
Income tax refund		631,605	78,253	-	1,003
Net cash from/(used in) operating activities		35,507,824	24,343,439	(11,511,219)	3,486,630

Statements of Cash Flows

For the financial year ended 31 December 2015 • continued

	Note	Group		Company	
		2015	2014	2015	2014
		RM	RM	RM	RM
Cash flows from investing activities					
Acquisition of property, plant and equipment, net of interest capitalised		(58,865,734)	(22,380,479)	-	-
Proceeds from disposal of property, plant and equipment		30,580	92,086	-	-
Finance income from deposits		359,245	264,287	193,529	33,468
Investment in quoted shares		-	(2,035,600)	-	-
Changes in investment in unit trusts		4,947,098	(65,564)	-	-
Net cash (used in)/from investing activities		(53,528,811)	(24,125,270)	193,529	33,468
Cash flows from financing activities					
Dividends paid to owner of the Company	25	(3,657,137)	(6,495,897)	(3,657,137)	(6,495,897)
Proceeds from issuance of shares		25,415,462	2,192,491	25,415,462	2,192,491
Repayment of loans and borrowings		(1,020,790)	(970,885)	-	-
Drawdown of loans and borrowings		20,584,696	4,772,815	-	-
Finance costs on loans and borrowings	21	(316,566)	(201,161)	-	-
Net cash from/(used in) financing activities		41,005,665	(702,637)	21,758,325	(4,303,406)
Net increase/(decrease) in cash and cash equivalents		22,984,678	(484,468)	10,440,635	(783,308)
Effect of exchange rate fluctuation on cash held		3,000,922	1,370,670	-	-
Cash and cash equivalents at 1 January		37,032,486	36,146,284	1,362,118	2,145,426
Cash and cash equivalents at 31 December	13	63,018,086	37,032,486	11,802,753	1,362,118

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the financial year ended 31 December 2015

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, 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 2015 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 2015 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 11 April 2016.

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
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>Separate Financial Statements - Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRS 11, <i>Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to MFRS 101, <i>Presentation of Financial Statements - Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> , MFRS 12, <i>Disclosure of Interests in Other Entities</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
MFRS 9, <i>Financial Instruments</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018

Notes to the Financial Statements

For the financial year ended 31 December 2015 • 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 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.

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.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(d) Significant accounting judgements and estimates

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

Judgements made in applying accounting policies

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

Determination of functional currency

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

Notes to the Financial Statements

For the financial year ended 31 December 2015 • 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. The Directors estimate the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

The carrying 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's domicile.

The carrying amount of current tax assets at 31 December 2015 is RM1,671,029 (2014 : RM22,763) and Nil (2014 : Nil) of the Group and of the Company, respectively.

The carrying amount of current tax liabilities at 31 December 2015 is RM2,315,999 (2014 : RM1,449,827) and RM20,720 (2014 : RM119,250) of the Group and of the Company, respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2015• 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 Nil (2014 : RM221,292). 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 tax losses carried forward, profit would increase by Nil (2014 : RM12,521).

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 2015. 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 2015• 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 a security 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 2015 • 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 2015 • 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 2015 • 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 in accordance with the original or modified terms of a debt instrument.

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

(iv) Regular way purchase or sale of financial assets

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

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

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

(v) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2015 • 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 ranging from 59 to 82 years. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

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

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

(e) Leased assets

(i) Finance lease

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

Notes to the Financial Statements

For the financial year ended 31 December 2015 • 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 of 79 years for leasehold land. Freehold land is not depreciated.

Notes to the Financial Statements

For the financial year ended 31 December 2015 • 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 2015 • 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 2015 • 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 2015 • 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 2015 • 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 2015 • continued

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Apartments	Motor vehicles
Group	RM	RM	RM	RM
Cost				
At 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/ 1 January 2015	22,801,710	24,316,668	1,015,266	3,244,076
Additions	-	-	-	652,556
Disposals	-	-	-	(178,614)
Effect of movement in exchange rates	-	3,012,514	87,303	134,025
Reclassification	-	-	-	-
At 31 December 2015	22,801,710	27,329,182	1,102,569	3,852,043
Accumulated depreciation				
At 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 January 2015	1,427,607	3,280,338	173,389	1,228,102
Charge for the financial year	269,714	536,867	21,299	397,620
Disposals	-	-	-	(178,610)
Effect of movement in exchange rates	-	319,747	12,316	89,814
At 31 December 2015	1,697,321	4,136,952	207,004	1,536,926
Net carrying amount				
At 31 December 2014	21,374,103	21,036,330	841,877	2,015,974
At 31 December 2015	21,104,389	23,192,230	895,565	2,315,117

Furniture, fittings and office equipment	Plant and machineries	Renovation	Signage	Capital work-in-progress	Total
RM	RM	RM	RM	RM	RM
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
239,803	806,537	-	-	57,398,178	59,097,074
(1,060,864)	(13,858,840)	-	-	-	(15,098,318)
215,906	2,763,366	-	-	-	6,213,114
-	170,784	-	-	(170,784)	-
3,642,041	45,167,623	4,957,319	39,800	78,127,151	187,019,438
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
468,180	4,546,579	492,534	3,282	-	6,736,075
(1,055,703)	(13,857,497)	-	-	-	(15,091,810)
105,522	859,915	-	-	-	1,387,314
2,013,241	21,541,615	3,333,612	33,744	-	34,500,415
1,751,954	25,293,158	2,116,241	9,338	20,899,757	95,338,732
1,628,800	23,626,008	1,623,707	6,056	78,127,151	152,519,023

Notes to the Financial Statements

For the financial year ended 31 December 2015 • 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 amount of RM187,496 (2014: RM192,485) have yet to be issued to a subsidiary.

(c) Security

Buildings with net carrying amount of RM5,673,781 (2014: RM5,831,062) are charged to licensed banks for banking facilities granted to a subsidiary (Note 16).

Leasehold land with net carrying amount of RM21,104,389 (2014: RM21,374,103) have been charged to licensed banks for banking facilities granted to a subsidiary (Note 16).

5. INVESTMENT PROPERTIES

Cost

At 1 January

Effect of movement in exchange rates

At 31 December

Accumulated depreciation

At 1 January

Charge for the financial year

Effect of movement in exchange rates

At 31 December

Net carrying amount

At 31 December

Group	
2015	2014
RM	RM
3,302,990	3,280,445
99,581	22,545
3,402,571	3,302,990
658,660	605,045
53,783	51,992
8,962	1,623
721,405	658,660
2,681,166	2,644,330

Represented by:

Freehold land

Leasehold land with unexpired lease
period of more than 50 years

Buildings

Apartments

Group	
2015	2014
RM	RM
78,000	78,000
990,036	1,002,797
1,016,228	1,045,205
596,902	518,328
2,681,166	2,644,330

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

5. INVESTMENT PROPERTIES *continued*

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

The fair value of the investment properties are as follows:

	Group	
	2015	2014
	RM	RM
At 31 December	12,047,025	10,835,447

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

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

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

Significant observable inputs other than quoted prices (Level 2)

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

Significant unobservable inputs (Level 3)

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

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

	Group	
	2015	2014
	RM	RM
Rental income	482,863	415,602
Direct operating expenses		
- income generating investment properties	40,720	40,839

Investment property of the Group amounting to RM1,783,218 (2014: RM1,818,750) has been charged 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 2015 • continued

6. PREPAID LEASE PAYMENTS

	Group	
	2015	2014
	RM	RM
Cost		
At 1 January	3,615,794	3,472,677
Effect of movement in exchange rates	632,154	143,117
At 31 December	4,247,948	3,615,794
Accumulated amortisation		
At 1 January	578,526	486,174
Charge for the financial year	84,958	72,316
Effect of movement in exchange rates	101,145	20,036
At 31 December	764,629	578,526
Net carrying amount		
At 31 December	3,483,319	3,037,268
<i>Amount to be amortised:</i>		
- not later than one year	84,958	72,316
- later than one year but not later than five years	339,832	289,264
- later than five years	3,058,529	2,675,688

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 41 (2014: 42) years.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2015	2014
	RM	RM
Unquoted shares - at cost	35,140,614	35,395,614
Less: Accumulated impairment loss	-	(255,000)
	35,140,614	35,140,614
Capital contribution	25,996,846	21,153,822
	61,137,460	56,294,436

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

7. INVESTMENT IN SUBSIDIARIES *continued*

Details of subsidiaries are as follows:

Subsidiaries of the Company	Effective ownership interest		Country of incorporation	Principal activities
	2015	2014		
Kawan Food Manufacturing Sdn. Bhd. ("KFM")	100%	100%	Malaysia	Manufacturing and sales of frozen food products
KG Pastry Marketing Sdn. Bhd. ("KGPM")	100%	100%	Malaysia	#Investment property and rental of trucks
Kawan Food Confectionery Sdn. Bhd. ("KFC")	100%	100%	Malaysia	#Investment holding
*Kayangan Manisan (M) Sdn. Bhd.	-	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

* In Members' Voluntary Liquidation

** Audited by oversea affiliate of Cheng & Co

*** Not audited by Cheng & Co

On 1 January 2015, KGPM and KFC have transferred the trading and distribution business to KFM. Following the transferred, principal activities of KGPM and KFC are investment property & rental of trucks and investment holding respectively.

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 31 December 2014.

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

8. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2015	2014
	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
	2015	2014		
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	
	2015	2014
	RM	RM
Revenue (100%)	368,655	328,199
Net loss for the financial year (100%)	262,529	360,701
Total assets (100%)	437,505	416,331
Total liabilities (100%)	1,254,307	970,604

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

9. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	RM	RM	RM	RM	RM	RM
Group						
Property, plant and equipment	-	-	(2,526,165)	(2,751,231)	(2,526,165)	(2,751,231)
Accruals	2,853,089	1,978,485	-	-	2,853,089	1,978,485
Other items	206,949	224,193	(404,027)	(287,254)	(197,078)	(63,061)
Deferred tax assets/(liabilities)	3,060,038	2,202,678	(2,930,192)	(3,038,485)	129,846	(835,807)
Set off	(2,871,656)	(2,175,731)	2,871,656	2,175,731	-	-
Net deferred tax assets/(liabilities)	188,382	26,947	(58,536)	(862,754)	129,846	(835,807)

Unrecognised deferred tax assets

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

	Group	
	2015	2014
	RM	RM
Property, plant and equipment	-	(1,745)
Tax losses carry forward	-	221,292
Capital allowances carry forward	-	51,540
Other deductible temporary differences	-	8,010
	-	279,097

For the financial year ended 31 December 2015 • continued

Movement in temporary difference during the year

	At 1.1.2014	Recognised in profit or loss (Note 22)	Recognised in other comprehensive income (Note 23)	At 31.12.2014/ 1.1.2015	Recognised in profit or loss (Note 22)	Recognised in other comprehensive income (Note 23)	At 31.12.2015
	RM	RM	RM	RM	RM	RM	RM
Group							
Property, plant and equipment	(2,811,245)	60,052	(38)	(2,751,231)	225,066	-	(2,526,165)
Inventories	137,771	(137,771)	-	-	-	-	-
Accruals	1,238,597	740,087	(199)	1,978,485	880,856	(6,252)	2,853,089
Other items	(21,302)	(39,577)	(2,182)	(63,061)	(137,540)	3,523	(197,078)
	(1,456,179)	622,791	(2,419)	(835,807)	968,382	(2,729)	129,846

	Group	
	2015	2014
	RM	RM
Current		
Trade		
Trade receivables	37,502,879	28,638,645
Non-trade		
Other receivables	1,316,876	658,358
	38,819,755	29,297,003

	Company	
	2015	2014
	RM	RM
Non-current		
Non-trade		
Advances to subsidiaries	4,726,700	3,846,150
Current		
Non-trade		
Advances to subsidiaries	57,792,045	35,122,389
Other receivables	1,000	1,000
	57,793,045	35,123,389
	62,519,745	38,969,539

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

10. TRADE AND OTHER RECEIVABLES *continued*

Trade receivables

Included in trade receivables of the Group is an amount of RM7,327,780 (2014: RM5,228,465) due from companies in which certain Directors have interests and held directorship.

Advances to subsidiaries

Advances to subsidiaries of RM48,411,983 (2014: RM26,560,185) are unsecured, subject to interest at BLR of 6.85% (2014: BLR 6.6%-6.85%) and repayable on demand. The remaining advances to subsidiaries bear interest at 5% (2014: 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
2015					
Agreement date					
22 October 2015 (renewal)	2016	4,478,345	4,478,345	-	-
22 October 2013	2018	2,015,250	81,600	-	1,933,650
5 December 2013	2018	2,910,917	117,867	-	2,793,050
22 December 2015 (renewal)	2016	4,702,250	4,702,250	-	-
		14,106,762	9,380,062	-	4,726,700
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

11. OTHER INVESTMENTS

	Group	
	2015	2014
	RM	RM
Financial assets at fair value through profit or loss		
- held for trading: Shares (Quoted)	1,142,400	1,220,800
: Unit trusts (Quoted)	473,249	5,420,347
	1,615,649	6,641,147

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

12. INVENTORIES

	Group	
	2015	2014
	RM	RM
At cost		
Raw materials	1,208,100	1,108,157
Packaging materials	2,956,016	2,216,706
Finished goods	5,228,389	9,024,811
	9,392,505	12,349,674
Recognised in profit or loss:		
Inventories recognised as cost of sales	89,214,888	85,798,896

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Deposits placed with licensed banks	14,877,616	4,667,843	11,802,753	1,362,118
Cash and bank balances	48,140,470	32,364,643	-	-
	63,018,086	37,032,486	11,802,753	1,362,118

Deposits placed with licensed banks of the Group and of the Company comprise placements in fixed income trusts of which RM11,770,556 (2014: RM2,082,416) and RM8,702,153 (2014: RM309,897) respectively are redeemable at call whereas RM3,107,060 (2014: RM2,585,427) and RM3,100,600 (2014: RM1,052,221) respectively are redeemable upon 7 days notice.

These deposits are subject to interest at rates ranging from 2.28% to 3.2% (2014: 2.28% to 3.27%) per annum.

14. SHARE CAPITAL

	Group and Company			
	2015	2014	2015	2014
	Number of ordinary shares of RM0.50 each		RM	RM
Authorised	1,000,000,000	100,000,000	500,000,000	500,000,000
Issued and fully paid:				
At beginning of financial year	182,349,091	120,000,000	91,174,546	60,000,000
Allotment of shares pursuant to				
- warrants exercised	27,328,454	1,566,065	13,664,227	783,033
- bonus issue of RM0.50 each	-	60,783,026	-	30,391,513
At end of financial year	209,677,545	182,349,091	104,838,773	91,174,546

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

14. SHARE CAPITAL continued

The issued and paid-up ordinary share capital of the Company was increased from RM91,174,546 to RM104,838,773 during the financial year through the issuance of shares of 27,328,454 ordinary shares of RM0.50 each from the conversion of 27,328,454 warrants at an exercise price of RM0.93 per warrant from 9 January 2015 to 31 December 2015. 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 price - the exercise price of the warrants has been fixed at RM1.40 per warrant, subject to such adjustment as may be allowed under the Deed Poll.
- (c) Exercise period - the period commencing on and including the day of issuance of the warrants and expiring on the fifth anniversary of the issue date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
- (d) Transferability - the warrants will be transferable at board lot of 100 warrants as determined by Bursa Malaysia Securities Berhad.
- (e) Ranking - the 60,000,000 new ordinary shares to be issued pursuant to the exercise of the warrants will, upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares except that such new ordinary shares shall not be entitled for any dividend, rights, allotments and/or other distributions, the entitlement date of which precedes or falls on the date of allotment of the new shares, and will be subject to all the provisions of the Articles of Association of the Company.

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

Movement in the warrants are as follows:

	Group and Company Number of warrants	
	2015	2014
At beginning of financial year	87,650,594	60,000,000
Exercised during the financial year	(27,328,454)	(1,566,065)
Adjustment arising from bonus issue of shares	-	29,216,659
At end of financial year	60,322,140	87,650,594

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

15. RESERVES

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Non-distributable:				
Share premium	11,751,235	-	11,751,235	-
Translation reserve	13,905,904	5,317,723	-	-
	25,657,139	5,317,723	11,751,235	-
Distributable:				
Retained earnings	86,309,711	57,932,328	18,276,498	4,934,718
	111,966,850	63,250,051	30,027,733	4,934,718

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	
	2015	2014
	RM	RM
At beginning of financial year	-	-
Warrant conversion	11,751,235	1,409,458
Bonus issue	-	(1,409,458)
At end of financial year	11,751,235	-

Translation reserve

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

	Group	
	2015	2014
	RM	RM
At beginning of financial year	5,317,723	3,336,383
Foreign currency translation during the year	8,588,181	1,981,340
At end of financial year	13,905,904	5,317,723

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

16. LOANS AND BORROWINGS

	Group	
	2015	2014
	RM	RM
Term loans		
Classified as		
- non-current liabilities	25,357,511	5,842,455
- current liabilities	1,074,334	1,025,484
	26,431,845	6,867,939
 Present value of term loans		
Analysed as follow:		
- not later than 1 year	1,074,334	1,025,484
- later than 1 year but not later than 5 years	25,357,511	5,842,455
	26,431,845	6,867,939

The Group's term loans which are secured over leasehold lands and buildings of a subsidiary, are subject to interest at rates ranging from 4.61% to 5.2% (2014: 4.43% to 5.2%) (Notes 4 and 5).

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Trade				
Trade payables	9,885,029	7,479,905	-	-
 Non-trade				
Other payables	1,658,802	2,089,567	6,599	5,879
Accruals	15,868,282	13,022,017	43,800	57,700
Amount due to Directors	522,333	334,000	522,333	334,000
	18,049,417	15,445,584	572,732	397,579
	27,934,446	22,925,489	572,732	397,579

Trade payables

- Credit terms of trade payables are ranging from 30 to 60 (2014: 30 to 60) days.
- Included in trade payables of the Group is an amount of RM2,507,926 (2014: RM1,410,857) due to companies in which certain Directors have interest.

Amount due to Directors

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

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

18. REVENUE

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Revenue				
- sales of goods	165,773,327	149,524,306	-	-
- dividends	-	-	7,800,002	19,801,201
	165,773,327	149,524,306	7,800,002	19,801,201

19. PROFIT BEFORE TAX

Profit before tax is arrived at:

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
After charging:					
Auditors' remuneration					
- audit fee					
: Cheng & Co		98,000	87,500	28,000	28,000
: Oversea affiliate of Cheng & Co		44,357	33,814	-	-
: Other auditors		59,571	50,706	-	-
- non-audit fee					
: Cheng & Co		14,000	15,000	4,000	15,000
Amortisation of prepaid lease payments	6	84,958	72,316	-	-
Depreciation of investment properties	5	53,783	51,992	-	-
Depreciation of property, plant and equipment	4	6,736,075	6,268,020	-	-
Inventories written off		459,943	386,583	-	-
Personnel expenses (including key management personnel)					
- wages, salaries and others		20,891,003	16,961,905	-	-
- contributions to State Plans		1,924,897	1,638,837	-	-
Rental expenses in respect of					
- coldroom		1,239,876	1,144,084	-	-
- equipment		60,512	98,125	-	-
- hostel		30,400	24,000	-	-
Fair value through profit or loss					
- held for trading		78,400	814,800	-	-
And crediting:					
Gain on disposal of property, plant and equipment		24,072	12,593	-	-
Net unrealised foreign exchange gain		1,061,690	865,870	7,255,587	2,099,638
Realised foreign exchange gain		4,193,706	554,492	-	-
Rental income from investment properties		482,863	415,602	-	-
Rental income from hostel		61,900	61,800	-	-
Reversal of impairment loss					
- trade receivables		-	49,627	-	-

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

20.FINANCE INCOME

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Interest income from loans and receivables	359,245	264,287	3,258,188	2,013,653

21.FINANCE COSTS

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Term loans, secured	316,566	201,161	-	-
Other bank charges	324,865	274,374	59	72
	641,431	475,535	59	72
Recognised in profit or loss	410,091	407,024	59	72
Capitalised on qualifying assets:				
- property, plant and equipment	231,340	68,511	-	-
	641,431	475,535	59	72

22.INCOME TAX EXPENSE

Major components of income tax expense

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Current tax				
Malaysia - current	8,863,426	4,841,010	565,310	356,418
- (over)/under provision in prior years	(595,249)	(524,463)	(248)	952
Overseas - current	791,121	1,668,451	-	-
- under/(over) provision in prior years	9,264	(6,537)	-	-
	9,068,562	5,978,461	565,062	357,370
Deferred tax				
Origination and reversal of temporary differences	(1,042,265)	(616,630)	-	-
Under/(over) provision in prior years	73,883	(6,161)	-	-
	(968,382)	(622,791)	-	-
	8,100,180	5,355,670	565,062	357,370

Notes to the Financial Statements

For the financial year ended 31 December 2015 • 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	
	2015	2014	2015	2014
	RM	RM	RM	RM
Net profit for the year	32,034,520	20,929,174	16,998,917	22,682,234
Income tax expense	8,100,180	5,355,670	565,062	357,370
Profit before tax	40,134,700	26,284,844	17,563,979	23,039,604
Income tax calculated using				
Malaysian tax rate of 25%	10,033,675	6,571,211	4,390,995	5,759,901
Effect of tax rate in foreign jurisdiction	(283,068)	(620,800)	-	-
Non-deductible expenses	1,384,876	533,049	328,431	221,806
Non-taxable income	(1,987,741)	-	(1,987,741)	(534,715)
Tax exempt income	(242,471)	(179,915)	(2,166,375)	(5,090,574)
Tax incentives	-	(395,665)	-	-
Double deduction on qualifying expenditure	(7,720)	(18,200)	-	-
Change in unrecognised temporary differences	-	(1,463)	-	-
Other items	(285,269)	4,614	-	-
	8,612,282	5,892,831	565,310	356,418
(Over)/under provision:				
- current tax	(585,985)	(531,000)	(248)	952
- deferred tax	73,883	(6,161)	-	-
	8,100,180	5,355,670	565,062	357,370

23. OTHER COMPREHENSIVE INCOME

	2015			2014		
	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	8,590,910	(2,729)	8,588,181	1,983,759	(2,419)	1,981,340

Notes to the Financial Statements

For the financial year ended 31 December 2015 • 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 2015 was based on the profit attributable to owners of the Company of RM32,034,520 (2014: RM20,908,134) and a weighted average number of ordinary shares outstanding of 195,585,560 (2014: 181,714,172).

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2015 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
2015			
Interim 2015 ordinary - single tier	2.0	<u>3,657,137</u>	2 April 2015
2014			
Interim 2014 ordinary - single tier	1.8	2,165,299	15 April 2014
Special 2014 ordinary - single tier	3.6	<u>4,330,598</u>	15 April 2014
		<u>6,495,897</u>	

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. On 1 January 2015, KG Pastry Marketing Sdn Bhd and Kawan Food Confectionery Sdn Bhd have transferred the trading and distribution businesses to Kawan Food Manufacturing Sdn Bhd. Following the transferred, principal activities of KG Pastry Marketing Sdn Bhd and Kawan Food Confectionery Sdn Bhd are investment property and rental of trucks and investment holding respectively. 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 2015 • continued

26. OPERATING SEGMENTS *continued*

Group

2015

Segment profit/(loss)

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

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

Kawan Food Berhad	Kawan Food Manufacturing Sdn. Bhd.	KG Pastry Marketing Sdn. Bhd.	
RM	RM	RM	
14,305,850	38,455,545	267,047	
-	68,770,425	388,477	
7,800,002	76,992,211	94,112	
-	(4,284,899)	(161,752)	
(59)	(2,730,039)	(242)	
3,258,188	132,154	236,578	
(565,062)	(6,790,014)	(104,140)	
-	59,311,187	-	
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	-	

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
-	(264,793)	3,604,165	4,394,560	60,762,374
-	-	90,153,689	6,460,736	165,773,327
-	-	-	19,328,238	104,214,563
-	-	(5,908)	(2,422,257)	(6,874,816)
-	(27)	(268,050)	(615,694)	(3,614,111)
-	2,484	-	-	3,629,404
-	(3,361)	(732,123)	(450,073)	(8,644,773)
-	-	13,013	586,230	59,910,430
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

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

26. OPERATING SEGMENTS *continued*

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

	Group	
	2015	2014
	RM	RM
Profit or loss		
Total profit or loss for reportable segments	60,762,374	53,727,478
Elimination of inter-segment profits	(13,702,012)	(20,907,569)
Depreciation and amortisation	(6,874,816)	(6,392,328)
Finance income	359,245	264,287
Finance costs	(410,091)	(407,024)
Consolidated profit before tax	40,134,700	26,284,844

	External revenue	Depreciation and amortisation	Finance costs	Finance income	Segment assets
	RM	RM	RM	RM	RM
2015					
Total reportable segments	269,987,890	(6,874,816)	(3,614,111)	3,629,404	443,358,198
Elimination of inter-segment transaction or balances	(104,214,563)	-	3,204,020	(3,270,159)	(169,811,749)
Consolidated total	165,773,327	(6,874,816)	(410,091)	359,245	273,546,449
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

Notes to the Financial Statements

For the financial year ended 31 December 2015 • 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

	2015		2014	
	Revenue	Non-current assets	Revenue	Non-current assets
	RM	RM	RM	RM
Malaysia	63,011,315	123,908,553	62,586,585	69,863,881
Rest of Asia	26,873,885	34,774,955	21,199,278	31,156,449
Europe	16,039,488	-	13,384,691	-
North America	51,872,013	-	43,264,350	-
Oceania	7,631,259	-	8,613,342	-
Africa	345,367	-	476,060	-
Consolidated total	165,773,327	158,683,508	149,524,306	101,020,330

Major customers

The Group has one (2014: 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 2015 • continued

27. FINANCIAL INSTRUMENTS continued

(a) Categories of financial instruments continued

2015

Financial assets

Group

Other investments	1,615,649	-	1,615,649
Trade and other receivables	38,819,755	38,819,755	-
Cash and cash equivalents	63,018,086	63,018,086	-
	103,453,490	101,837,841	1,615,649

Company

Trade and other receivables	62,519,745	62,519,745	-
Cash and cash equivalents	11,802,753	11,802,753	-
	74,322,498	74,322,498	-

Financial liabilities

Group

Loans and borrowings	(26,431,845)	(26,431,845)	-
Trade and other payables	(27,934,446)	(27,934,446)	-
	(54,366,291)	(54,366,291)	-

Company

Trade and other payables	(572,732)	(572,732)	-
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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)	-
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Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

27. FINANCIAL INSTRUMENTS *continued*

(b) Financial risk management

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

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

Credit risk

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

(i) Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying 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 2015 • continued

27. FINANCIAL INSTRUMENTS continued

(b) Finance risk management continued

Credit risk continued

(i) Receivables continued

Exposure to credit risk, credit quality and collateral continued

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

	Group	
	2015	2014
	RM	RM
Domestic	13,738,382	12,884,138
North America	8,884,520	4,840,373
Europe	6,131,996	4,437,872
Rest of Asia	6,802,791	4,928,428
Oceania	1,945,190	1,547,834
	37,502,879	28,638,645

At the end of the reporting period, the Group has no significant concentration of credit risk except for the amount due from one customer (2014: one customer) representing 12% (2014: 13%) 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			
2015			
No past due	23,977,868	-	23,977,868
1 - 30 days past due	4,132,625	-	4,132,625
31 - 90 days past due	4,205,071	-	4,205,071
More than 90 days past due	5,187,315	-	5,187,315
	37,502,879	-	37,502,879
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	-	647,646
	28,638,645	-	28,638,645

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

27. FINANCIAL INSTRUMENTS continued

(b) Financial risk management continued

Credit risk continued

(i) Receivables continued

Impairment losses continued

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

(ii) Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM26,431,845 (2014: RM6,867,939) representing the outstanding loan amount of the subsidiary at the end of the reporting period.

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

(iii) Inter company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

27. FINANCIAL INSTRUMENTS continued

(b) Finance risk management continued

Liquidity Risk continued

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities 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
2015 Group						
Secured term loans	26,431,845	4.61% - 5.2%	26,437,871	1,080,360	25,357,511	-
Trade and other payables	27,934,446		27,934,446	27,934,446	-	-
	54,366,291		54,372,317	29,014,806	25,357,511	-
Company						
Trade and other payables	572,732		572,732	572,732	-	-
2014 Group						
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	-	-
	29,793,428		29,911,005	24,027,251	1,110,939	4,772,815
Company						
Trade and other payables	397,579		397,579	397,579	-	-

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"), Renminbi ("RMB") 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.

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

27. FINANCIAL INSTRUMENTS continued

(b) Finance risk management continued

Market risk continued

(i) Currency risk continued

Exposure to foreign currency risk

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

Group	RM	RM	RM	RM
	USD	SGD	Denominated in EURO	RMB
2015				
Trade and other receivables	790,538	1,306,316	-	2,964,398
Cash and cash equivalents	5,432,730	2,199,607	4,138,108	5,725,049
Trade and other payables	(187,525)	-	-	-
	6,035,743	3,505,923	4,138,108	8,689,447
2014				
Trade and other receivables	40,253	1,101,012	-	2,649,741
Cash and cash equivalents	8,701,222	2,437,560	6,366,757	2,303,544
Trade and other payables	(639,019)	-	-	-
	8,102,456	3,538,572	6,366,757	4,953,285

Company (Denominated in USD)

	2015	2014
	RM	RM
Advances to a subsidiary	14,106,762	12,408,354

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

27. FINANCIAL INSTRUMENTS continued

(b) Financial risk management continued

Market risk continued

(i) Currency risk continued

Currency risk sensitivity analysis

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

	Group		Company	
	Equity	Profit	Equity	Profit
	RM	RM	RM	RM
2015				
USD	5,206,258	452,681	1,058,007	1,058,007
SGD	310,358	310,358	-	-
EURO	262,944	262,944	-	-
RMB	680,071	651,709	-	-
	6,459,631	1,677,692	1,058,007	1,058,007
2014				
USD	4,164,767	607,684	917,046	917,046
SGD	265,393	265,393	-	-
EURO	477,507	477,507	-	-
RMB	2,727,878	2,653,682	-	-
	7,635,545	4,004,266	917,046	917,046

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

(ii) Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

27. FINANCIAL INSTRUMENTS *continued*

(b) Financial risk management *continued*

Market risk *continued*

(ii) Interest rate risk *continued*

Exposure to interest rate risk

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

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Fixed rates instruments				
Financial assets	-	-	14,106,762	12,408,354
Floating rates instruments				
Financial assets	14,877,616	4,667,843	60,214,736	27,922,303
Financial liabilities	(26,431,845)	(6,867,939)	-	-

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 investment 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% (2014: 5%) decreased in share price at the end of the reporting period would have decreased profit by RM57,120 (2014: RM61,040) for quoted investments classified as fair value through profit or loss. A 5% (2014: 5%) 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 2015 • continued

27. FINANCIAL INSTRUMENTS continued

(c) Fair values of financial instruments

(i) Financial assets and liabilities measured at fair value

	Level 1	Level 2	Level 3
	RM	RM	RM
2015			
Financial assets			
Unit trust (Quoted)	473,249	-	-
Shares (Quoted)	1,142,400	-	-
2014			
Financial assets			
Unit trust (Quoted)	5,420,347	-	-
Shares (Quoted)	1,220,800	-	-

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:

	2015		2014	
	Carrying amounts	Fair value	Carrying amounts	Fair value
	RM	RM	RM	RM
Company				
Advances to subsidiaries (fixed rate)	14,106,762	12,353,901	12,408,354	11,218,512

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 2015 • 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	
	2015	2014
	RM	RM
Loans and borrowings	26,431,845	6,867,939
Trade and other payables	27,934,446	22,925,489
	54,366,291	29,793,428
Less: Cash and cash equivalents	(63,018,086)	(37,032,486)
Net debt	(8,651,795)	(7,239,058)
Equity attributable to owners of the Company	216,805,623	154,424,597
Debt-to-equity ratio	*	*
* not meaningful		

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

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

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

29. CAPITAL COMMITMENTS

	Group	
	2015	2014
	RM	RM
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provide for:		
Within one year	55,572,959	87,522,221

Notes to the Financial Statements

For the financial year ended 31 December 2015 • 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 company).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

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

Significant related party transactions

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

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

30. RELATED PARTIES continued

Significant related party transactions continued

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Subsidiaries				
Interest income on loans	-	-	3,064,659	1,980,185
Jointly controlled entity				
Sales of goods	40,103	35,795	-	-
Other related party transaction				
<i>Companies in which Directors of the Company have interest:</i>				
Sales of goods	20,386,059	16,493,797	-	-
<i>Companies in which a persons related to a Directors of the Company have interest</i>				
Sales of goods	794,581	839,561	-	-
Purchase of goods	10,875,616	10,927,467	-	-
Key management personnel				
<i>Directors:</i>				
- Fees	522,333	334,000	522,333	334,000
- Remuneration	2,287,501	2,056,532	-	-
- Post-employment benefits	235,525	212,110	-	-
	3,045,359	2,602,642	522,333	334,000
<i>Other key management personnel:</i>				
- Short term employee benefits	3,706,387	3,345,313	-	-
- Post-employment benefits	314,280	273,127	-	-
	4,020,667	3,618,440	-	-
Total compensation paid to key management personnel	7,066,026	6,221,082	522,333	334,000

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 RM56,700 (2014: RM59,050).

Notes to the Financial Statements

For the financial year ended 31 December 2015 • continued

31. CONTINGENCIES

Guarantees

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

Company	
2015	2014
RM	RM
76,986,300	74,664,850

32. SIGNIFICANT EVENT SUBSEQUENT TO THE REPORTING PERIOD

On 4 March 2016, the Company declared an interim single tier dividend of 2.5 sen per ordinary share of RM0.50 each in respect of the financial year ending 31 December 2016.

Notes to the Financial Statements

For the financial year ended 31 December 2015 • 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 2015, into realised and unrealised profits, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Retained earnings of the Company and its subsidiaries				
- Realised	115,297,894	85,482,324	11,020,911	2,835,080
- Unrealised	325,387	(2,801,609)	7,255,587	2,099,638
	115,623,281	82,680,715	18,276,498	4,934,718
Total share of post-acquisition reserve of jointly controlled entity				
- Realised	(100,000)	(100,000)	-	-
	115,523,281	82,580,715	18,276,498	4,934,718
Less: Consolidation adjustment	(29,213,570)	(24,648,387)	-	-
Total group retained earnings as per consolidated accounts	86,309,711	57,932,328	18,276,498	4,934,718

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	14,116,875
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	36 years	28 May 2004	7,337.24 sq. metres/ 6,417.91 sq. metres	23 May 2007	5,589,937
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	17 years	31 May 2005	289.86 sq. metres/ 254 sq. metres	2 November 1998	301,046
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	26 years	28 June 1999	4,484 sq. metres/ 3,149.43 sq. metres	24 September 1990	1,783,218

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	26 years	25 May 2005	21,796 sq. metres/ 3,584.91 sq. metres	7 May 1990	7,071,355
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	16 years	16 May 2003	67.85 sq. metres	27 March 2003	48,565
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	16 years	29 July 2003	67.85 sq. metres	27 March 2003	45,183

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	16 years	16 May 2003	67.85 sq. metres	27 March 2003	48,565
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	16 years	29 July 2003	67.85 sq. metres	27 March 2003	45,183
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	15 years	21 February 2001	69.52 sq. metres	26 October 2004	42,948

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	15 years	21 February 2001	69.52 sq. metres	26 October 2004	42,948
<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	15 years	21 February 2001	69.52 sq. metres	26 October 2004	42,948
<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	15 years	21 February 2001	69.52 sq. metres	26 October 2004	42,948

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	15 years	21 February 2001	69.52 sq. metres	26 October 2004	42,948
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	6 years	26 December 2006	40,773.90 sq. metres/ 16,000 sq. metres	N/A	21,198,581
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	9 years	19 January 2007	223.44 sq. metres	N/A	493,338
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	6 years	30 December 2006	179.42 sq. metres	N/A	596,895

* 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 31 March 2016

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	: RM111,687,834.50 (223,375,669 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	129	7.91	3,038	0.00
100 to 1,000	739	45.31	242,525	0.11
1,001 to 10,000	439	26.92	1,989,437	0.89
10,001 to 100,000	211	12.94	8,723,937	3.91
100,001 to less than 5% of issued shares	110	6.74	85,941,041	38.47
5% and above of issued shares	3	0.18	126,475,691	56.62
Total	1,631	100.00	223,375,669	100.00

SUBSTANTIAL SHAREHOLDERS

as per Register of Substantial Shareholders as at 31 March 2016

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	55,602,991	24.89	-	-
2. Maybank Securities Nominees (Asing) Sdn Bhd <i>Exempt AN for Volaw Trustee Limited (Narvee)</i>	54,872,500	24.57	-	-
3. Gan Thiam Hock	16,000,200	7.16	-	-
4. Kwan Sok Kay	12,408,729	5.56	-	-

STATEMENT OF DIRECTORS' SHAREHOLDINGS

as per Register of Directors' shareholdings as at 31 March 2016

Name of Directors	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	55,602,991	24.89	-	-
2. Timothy Tan Heng Han	67,500	0.03	-	-
3. Gan Thiam Hock	16,000,200	7.16	-	-
4. Kwan Sok Kay	12,408,729	5.56	-	-
5. Nareshchandra Gordhandas Nagrecha	-	-	54,872,500*	24.57
6. Jayendra Janardan	-	-	-	-
7. Chen Seng Chong	476,250	0.21	-	-
8. Lim Hun Soon @ David Lim	-	-	-	-
9. Lim Peng @ Lim Pang Tun	337,500	0.15	-	-
10. Soo Yoke Mun	-	-	-	-
11. Abdul Razak Bin Shakor	-	-	-	-

* Deemed interested through Maybank Securities Nominees (Asing) Sdn Bhd Exempt AN for Volaw Trustee Limited (Narvee)

Analysis on Shareholdings

as per record of depositors as at 31 March 2016 • continued

LIST OF THIRTY (30) LARGEST SHAREHOLDERS as at 31 March 2016

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

No.	Name of Shareholders	No. of Shares	%
1.	Gan Thiam Chai	55,602,991	24.89
2.	Maybank Securities Nominees (Asing) Sdn Bhd <i>Exempt AN for Volaw Trustee Limited (Narvee)</i>	54,872,500	24.57
3.	Gan Thiam Hock	16,000,200	7.16
4.	Kwan Sok Kay	9,737,979	4.36
5.	Niels John Madsen	5,712,000	2.56
6.	Amanahraya Trustees Berhad <i>Public Strategic Smallcap Fund</i>	4,197,000	1.88
7.	Kong Poh Yin	2,945,250	1.32
8.	Kwan Sok Kay	2,670,750	1.20
9.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Wu Chung Chen</i>	2,647,000	1.18
10.	Amanahraya Trustees Berhad <i>PB Growth Fund</i>	2,557,500	1.14
11.	HSBC Nominees (Tempatan) Sdn Bhd <i>Hong Leong Bank Bhd for Manulife Investment Progress Fund (4082)</i>	2,551,550	1.14
12.	Tokio Marine Life Insurance Malaysia Bhd <i>As Beneficial Owner (PF)</i>	2,500,000	1.12
13.	Maybank Nominee (Tempatan) Sdn Bhd <i>Maybank Trustee Berhad for RHB Capital Fund (200189)</i>	2,284,600	1.02
14.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>SSBT Fund W4A9 for Wasatch Micro Cap Value Fund</i>	2,200,000	0.98
15.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (RHB INV)</i>	2,000,000	0.90
16.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chen Tsai Tien</i>	1,883,575	0.84
17.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (RHB INV)</i>	1,880,000	0.84
18.	Yap Sook Chen	1,612,800	0.72
19.	HSBC Nominees (Tempatan) Sdn Bhd <i>Exempt an for Credit Suisse (SG BR-TST-ASING)</i>	1,603,850	0.72
20.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chiang Peter</i>	1,302,000	0.58
21.	Lai Yew Chung	1,189,500	0.53
22.	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt an for Phillip Capital Management Sdn Bhd</i>	1,182,300	0.53
23.	Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Shah Kamal Kant Zaverchand</i>	1,158,525	0.52
24.	Lydia Claire Lim Lih Yueah	1,119,750	0.50
25.	Lim Seong Tin	1,066,500	0.48
26.	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt an for Phillip Capital Management Sdn Bhd (EPF)</i>	1,024,900	0.46
27.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Wu Chia Lung</i>	1,015,825	0.45
28.	Choy Wee Chiap	952,400	0.43
29.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund</i>	949,400	0.43
30.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB-OSK Private Fund-Series 3</i>	934,300	0.42
Total		187,354,945	83.87

Analysis on Warrant Holdings

as per record of depositors as at 31 March 2016

No. of Free Warrants in issue : 41,166,116
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	86	9.99	4,237	0.01
100 to 1,000	532	61.79	76,410	0.19
1,001 to 10,000	157	18.23	540,361	1.31
10,001 to 100,000	68	7.90	2,059,274	5.00
100,001 to less than 5% of issued warrants	15	1.74	8,503,812	20.66
5% and above of issued shares	3	0.35	29,982,022	72.83
Total	861	100.00	41,166,116	100.00

SUBSTANTIAL WARRANT HOLDERS

as per Register of Substantial Warrant Holders as at 31 March 2016

Name of Substantial Warrant Holders	Direct		Indirect	
	No. of Warrants	%	No. of Warrants	%
1. Gan Thiam Chai	24,970,001	60.66	-	-
2. Kwan Sok Kay	4,227,396	10.27	-	-
3. Maybank Securities Nominees (Asing) Sdn Bhd	2,120,000	5.15	-	-

Exempt AN for Volaw Trustee Limited (Narvee)

DIRECTORS' WARRANT HOLDINGS

as per Register of Directors' Warrant Holdings as at 31 March 2016

Name of Directors	Direct		Indirect	
	No. of Warrants	%	No. of Warrants	%
1. Gan Thiam Chai	24,970,001	60.66	-	-
2. Timothy Tan Heng Han	33,750	0.08	-	-
3. Gan Thiam Hock	1,950,000	4.74	-	-
4. Kwan Sok Kay	4,227,396	10.27	-	-
5. Nareshchandra Gordhandas Nagrecha	-	-	2,120,000*	5.15
6. Jayendra Janardan	-	-	-	-
7. Chen Seng Chong	-	-	-	-
8. Lim Hun Soon @ David Lim	-	-	-	-
9. Lim Peng @ Lim Pang Tun	-	-	-	-
10. Soo Yoke Mun	-	-	-	-
11. Abdul Razak Bin Shakor	-	-	-	-

* Deemed interested through Maybank Securities Nominees (Asing) Sdn Bhd Exempt AN for Volaw Trustee Limited (Narvee)

Analysis on Warrant Holdings

as per record of depositors as at 31 March 2016 • continued

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS as at 31 March 2016

No.	Name of Warrant holders	No. of Warrants	%
1.	Gan Thiam Chai	24,970,001	60.66
2.	Kwan Sok Kay	2,892,021	7.03
3.	Maybank Securities Nominees (Asing) Sdn Bhd <i>Exempt an for Volaw Trustee Limited (Narvee)</i>	2,120,000	5.15
4.	Gan Thiam Hock	1,950,000	4.74
5.	Kwan Sok Kay	1,335,375	3.24
6.	Kong Poh Yin	1,172,125	2.85
7.	Amanahraya Trustee Berhad <i>Public Strategic Smallcap Fund</i>	764,200	1.86
8.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chiang Peter</i>	651,000	1.58
9.	Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Shah Kamal Kant Zaverchand</i>	579,262	1.41
10.	Loh Ah Heng	420,125	1.02
11.	Chua Lee Guan	360,750	0.88
12.	Leong Kim Mooi	288,375	0.70
13.	Tan Chuan Li	225,000	0.55
14.	CIMSEC Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Noble Plan Sdn Bhd</i>	199,000	0.48
15.	Joginder Singh A/L Gurbak Singh	183,400	0.45
16.	Choy Wee Chiap	130,000	0.32
17.	Chua Lee Guan	127,500	0.31
18.	Tey Hock Seng	117,700	0.29
19.	HLIB Nominee (Tempatan) Sdn Bhd <i>Hong Leong Bank Bhd for Low Kim Chai</i>	86,500	0.21
20.	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt an for Citibank NA (Charles Schwab)</i>	80,250	0.19
21.	Leong Hong Oil Mill Sdn. Bhd.	75,000	0.18
22.	Grace Chan Pek Khim	75,000	0.18
23.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Khoo Sek Pin</i>	65,300	0.16
24.	Chia Song Kang	60,900	0.15
25.	Sarjeet Singh A/L H Bachan Singh	58,500	0.14
26.	Chua Sook Ming	58,262	0.14
27.	Mohd Ariffin Bin Mohd Yusuf	56,250	0.14
28.	Abdul Latif Bin Adlin	56,250	0.14
29.	Yong Kwee Len	48,750	0.12
30.	Yeung Shan Shan	45,000	0.11
Total		39,251,796	95.35

TWELFTH ANNUAL GENERAL MEETING Form of Proxy

I/We

NRIC No./Company No. of

being a member / members of KAWAN FOOD BERHAD hereby appoint

NRIC No.

of

or failing whom NRIC No.

of

or * the Chairman of the meeting as my/our proxy(ies) to vote for *me/us and on *my/our behalf at the Twelfth Annual General Meeting of the Company to be held on Tuesday, 31st day of May, 2016 at 10.00 a.m. at Saujana Ballroom, The Saujana Hotel, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia and, at any adjournment thereof for/against* the resolution (s) to be proposed thereat.

*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 financial year ended 31 December 2015. <i>resolution 1</i>			
2.	To approve the payment of Directors' fees for the financial year ending 31 December 2016. <i>resolution 2</i>			
3.	To re-elect the following Directors who retire pursuant to Article 80 of the Company's Articles of Association:-			
3.1	Mr. Gam Thiam Hock <i>resolution 3</i>			
3.2	Mr. Chen Seng Chong <i>resolution 4</i>			
3.3	Mr. Soo Yoke Mun <i>resolution 5</i>			
4.	To re-elect Mr. Lim Hun Soon @ David Lim who retires pursuant to Article 85 of the Company's Articles of Association. <i>resolution 6</i>			
5.	To re-elect Mr. Abdul Razak Bin Shakor who retires pursuant to Article 85 of The Company's Article of Association <i>resolution 7</i>			
6.	To re-appoint Messrs. Cheng & Co. as the Company's Auditors and to authorise the Board of Directors to fix their remuneration. <i>resolution 8</i>			
SPECIAL BUSINESS				
7.	To retain the following Directors as Independent Non-Executive Directors of the Company:-			
5.1	Mr. Chen Seng Chong <i>resolution 9</i>			
5.2	Mr. Lim Peng @ Lim Pang Tun <i>resolution 10</i>			
8.	Ordinary Resolution 1 - Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965. <i>resolution 11</i>			
9.	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. <i>resolution 12</i>			
10.	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. <i>resolution 13</i>			

[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 ("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, 47410 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting (i.e., 10.00 a.m. on Friday, 27 May 2016) 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 18 May 2016. Only a depositor whose names appear in the Record of Depositors as at 18 May 2016 will be entitled to attend, speak and vote at the Meeting.

Signature / Common Seal of Shareholder(s)

Dated this day of 2016

Number of ordinary shares held :

CDS Account No. :

[* Delete if not applicable]

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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



2015



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