



**KaWan**

KAWAN FOOD BERHAD

**KAWAN FOOD BERHAD**

200401001942 (640445-V) (Incorporated in Malaysia)

# Annual Report 2020

Better Health Through Better Lifestyle





## CONTENTS

Corporate Information	2
Group Corporate Structure	3
At A Glance	4
Our Footprint	5
Management Discussion and Analysis	6
Sustainability Statement	23
Board of Directors' Profiles	45
Key Management's Profiles	53
Corporate Governance Overview Statement	55
Audit Committee Report	65
Additional Compliance Information	68
Statement on Risk Management and Internal Control	69
Statement on Directors' Responsibility	80

## FINANCIAL STATEMENTS

Directors' Report	82
Statements of Financial Position	88
Statements of Profit or Loss and Other Comprehensive Income	90
Statements of Changes in Equity	92
Statements of Cash Flows	94
Notes to the Financial Statements	97
Statement by Directors	157
Statutory Declaration	157
Independent Auditors' Report	158
List of Properties	162
Analysis on Shareholdings	167
Notice of the Seventeenth Annual General Meeting	170
Administrative Details on Seventeenth Annual General Meeting	177
Proxy Form	

## CORPORATE INFORMATION



### GAN THIAM CHAI

Executive Chairman

### TIMOTHY TAN HENG HAN

Group Managing Director  
(Resigned on 1 January 2021)

### GAN THIAM HOCK

Non-Independent Executive Director

### KWAN SOK KAY

Non-Independent Executive Director

### GAN KA BIEN

Non-Independent Executive Director  
(Appointed on 24 November 2020)

### DR. NIK ISMAIL BIN NIK DAUD

Senior Independent Non-Executive Director

### LIM HUN SOON @ DAVID LIM

Independent Non-Executive Director

### EUGENE HON KAH WENG

Independent Non-Executive Director

### ABDUL RAZAK BIN SHAKOR

Non-Independent Non-Executive Director

### NARESHCHANDRA

GORDHANDAS NAGRECHA

Non-Independent Non-Executive Director  
(Retired on 19 June 2020)

## AUDIT COMMITTEE

### LIM HUN SOON @ DAVID LIM

Chairman

### DR. NIK ISMAIL BIN NIK DAUD

Member

### EUGENE HON KAH WENG

Member

## REMUNERATION COMMITTEE

### DR. NIK ISMAIL BIN NIK DAUD

Chairman

### LIM HUN SOON @ DAVID LIM

Member

### EUGENE HON KAH WENG

Member

## NOMINATING COMMITTEE

### EUGENE HON KAH WENG

Chairman

### DR. NIK ISMAIL BIN NIK DAUD

Member

### LIM HUN SOON @ DAVID LIM

Member

(Appointed on 24 November 2020)

### ABDUL RAZAK BIN SHAKOR

Member

(Ceased on 24 November 2020)

## REGISTERED OFFICE

BOARDROOM CORPORATE  
SERVICES SDN. BHD.

Registration No. 196001000110 (3775-X)

12<sup>th</sup> Floor, Menara Symphony  
No.5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
T +603 7890 4800  
F +603 7890 4650

## SHARE REGISTRAR

BOARDROOM SHARE

REGISTRARS SDN. BHD.

Registration No. 199601006647 (378993-D)

11<sup>th</sup> Floor, Menara Symphony  
No.5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
T +603 7890 4700  
F +603 7890 4670

## MANAGEMENT OFFICE

Lot 129351

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

## SECRETARIES

TAI YIT CHAN (MAICSA 7009143 /  
SSM Practicing Certificate No.  
202008001023)

TAI YUEN LING (LS 0008513 / SSM  
Practicing Certificate No. 202008001075)

## AUDITORS

RSM Malaysia (AF: 0768)

5<sup>th</sup> Floor, Penthouse, Wisma RKT  
Block A, No 2, Jalan Raja Abdullah  
Off Jalan Sultan Ismail  
50300 Kuala Lumpur, Malaysia  
T +603 2610 2888  
F +603 2698 6600

## PRINCIPAL BANKERS

HSBC BANK MALAYSIA BERHAD  
Registration No. 198401015221 (127776-V)

MALAYAN BANKING BERHAD  
Registration No. 196001000142 (3813-K)

RHB BANK BERHAD  
Registration No. 196501000373 (6171-M)

UNITED OVERSEAS BANK  
(MALAYSIA) BHD  
Registration No. 199301017069 (271809-K)

## STOCK EXCHANGE LISTING

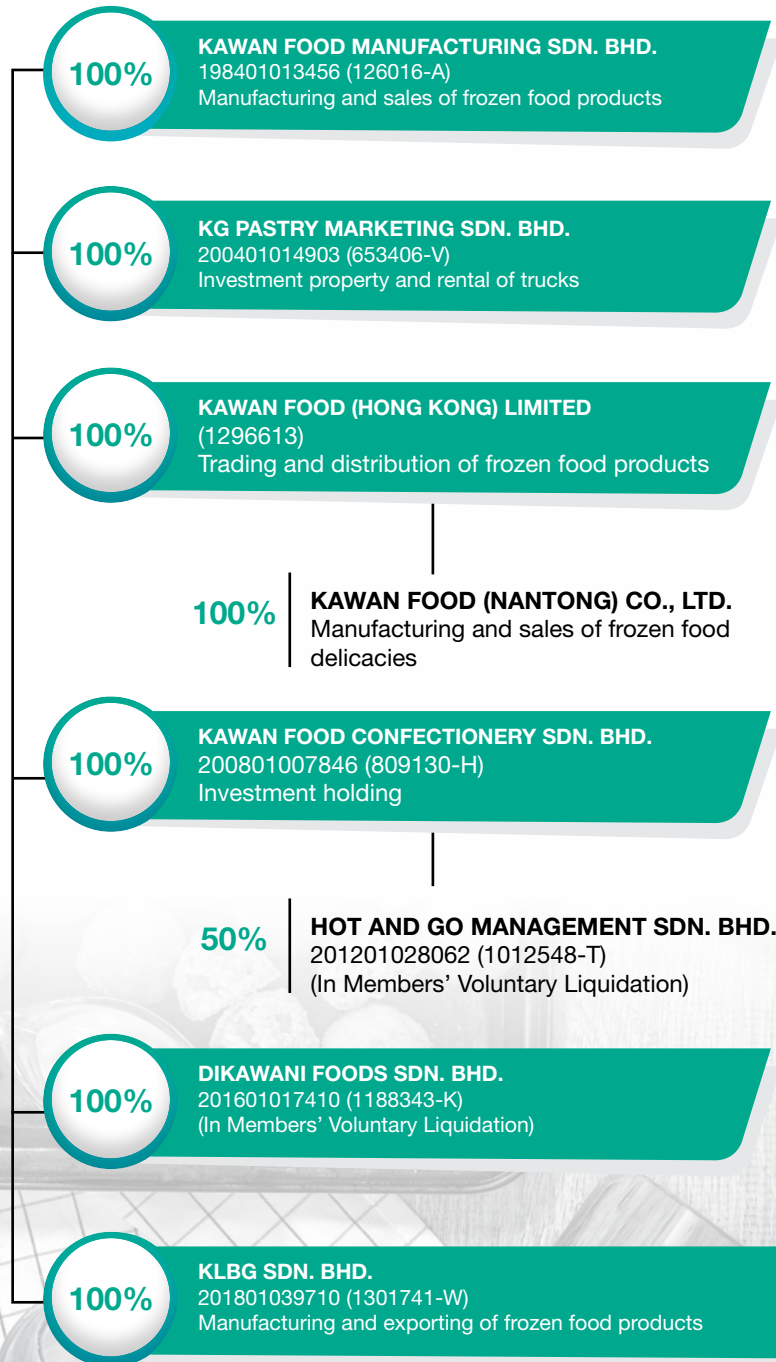
MAIN MARKET OF  
BURSA MALAYSIA  
SECURITIES BERHAD  
Stock Short Name: KAWAN  
Stock Code: 7216

## WEBSITE

www.kawanfood.com

## GROUP CORPORATE STRUCTURE

**KAWAN FOOD BERHAD**  
200401001942 (640445-V)  
Investment holding





## AT A GLANCE

### EMPLOYEES

**660**

2019: 635

### MANUFACTURING FACILITIES

**2**

2019: 2

### REVENUE

**RM 254.7** MILLION

2019: RM214.1 MILLION

### PROFIT BEFORE TAXATION

**RM 32.0** MILLION

2019: RM15.4 MILLION

### PROFIT AFTER TAXATION

**RM 27.7** MILLION

2019: RM12.0 MILLION

### NET ASSETS PER SHARE

**RM 0.96**

2019: RM0.90

### EARNINGS PER SHARE

**7.79** SEN

2019: 3.39 SEN

### DIVIDEND PER SHARE

**2.50** SEN

2019: 2.50 SEN

### SHARE PRICE

**RM 2.08**

2019: RM1.39

### MARKET CAPITALISATION

**RM 747.8** MILLION

2019: RM499.7 MILLION



# OUR FOOTPRINT



COUNTRIES  
37  
2020

## MANAGEMENT DISCUSSION AND ANALYSIS

# EXECUTIVE CHAIRMAN'S STATEMENT

Although FY2020 had been an extra demanding year for Kawan as our factory had to produce higher volumes of product with less people to meet significantly higher demand due to the COVID-19 pandemic, we delivered commendable results nonetheless.

This report highlights Kawan Food Berhad's ("Kawan") accomplishments throughout the year as we strived to provide products that enrich people's lives and enhance the lifestyle of our customers.

### Overview

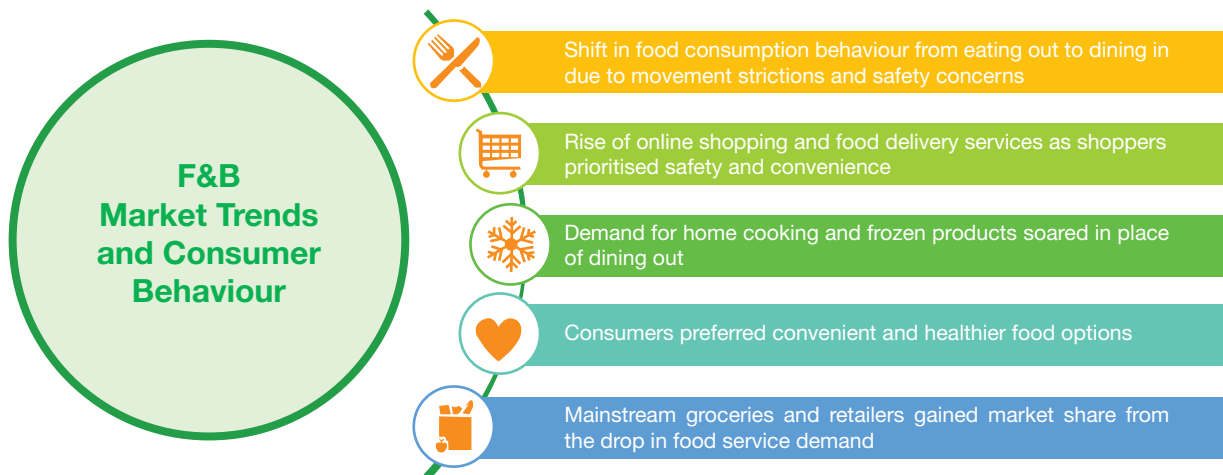
The global outbreak affected lives and livelihoods as governments imposed movement restrictions and physical distancing measures to contain the outbreak. In Malaysia, non-essential businesses had to temporarily shutter their premises and limit their operational capacity, bringing the economy to a standstill. Malaysia's gross domestic product ("GDP") dropped by 5.6% for FY2020, while global GDP recorded a contraction of 3.5% in 2020.

Amid the air of doom and gloom, our priority for the year was on protecting our business and keeping our people safe first and foremost, while continuing to build on our capabilities, drive efficiencies within the organisation and strengthen our relationships with stakeholders.

## Management Discussion and Analysis

(cont'd)

The Food and Beverage (“F&B”) industry in which we operate experienced unprecedented supply and demand volatility in FY2020. Movement restrictions impacted supply chain and operational efficiencies industry-wide, resulting in growth of frozen food sales at grocers and retailers while, foodservice outlets experienced a dramatic reduction in customer footfall for much of the year. Changes in customers’ purchasing and consumption behaviour are summarised below:



Despite facing a succession of challenges, our team rose to the occasion. They demonstrated tremendous energy and commitment to calmly navigate an uncertain environment, collaborating and supporting each other while we adapted to the new operating conditions. The Group rallied together and successfully turned in a commendable performance for FY2020.

### Kawan At A Glance

Kawan Food Berhad is an investment holding company based in Malaysia, operating in the food processing industry. Our Company’s principal activities involve the manufacturing, sale, trading and distribution of frozen food products. With over 40 years of heritage dating back to the 1960s, we have grown to become one of Malaysia’s leading exporter and largest manufacturer of frozen Asian food delicacies worldwide.

We operate two manufacturing plants, one located in Pulau Indah, Selangor, and another in Nantong, China. With staff strength numbering 660, we produce a range of food products including paratha, spring roll, pastry, frozen vegetable, chapati, finger food, bakery and desserts that are sold under five brands:



Our products are exported to 37 territories and counting, utilising a range of distribution channels such as distributorship, direct sales to key account customers, e-Commerce, and sales to retailers and wholesalers.

### Strategic Response

Given our reputation as a frozen food manufacturer, the pandemic-driven market trends worked in our favour as our product ranges primarily service the home-dining segment, providing convenient, easy-to-prepare food products and frozen-ready-meals for ease of consumption. The trend towards convenient and healthier food options is also aligned with the Group’s growth strategy, while the e-Commerce collaborations established in previous years have prepared us to meet the surge in digital sales. Our products are also widely available at grocers, retailers and convenience stores where consumers are diverting their spending in place of foodservice.



## Management Discussion and Analysis

(cont'd)

Against this backdrop, Kawan was well positioned to take advantage of these shifts in demand. We were mindful to ensure that our manufacturing arm could continue production amid the pandemic to keep up with demand growth while safeguarding the health of our operations staff. Our aim was not just to recover from the pandemic setbacks but to drive growth in all business segments.

To power our business through this global crisis, we implemented a range of mitigating measures throughout the year to manage cashflow while focusing on maintaining liquidity and preserving the strong financial position of the Group to capitalise on opportunities emerging in the landscape of the 'new normal'.

### Ensuring Business Continuity

As a food manufacturing company, Kawan operates in the essential services sector. As such, we were able to continue operating our manufacturing facilities for most of the year within the 50% workforce limit set during MCO while observing social distancing and with other pandemic prevention measures in place.

Our leadership team streamlined our production and product ranges in order to protect margins while maintaining supply and availability. As the conditions began to progressively stabilise, we quickly rebuilt the mix elements of our product ranges to continue to broaden our consumer choices. We leveraged on our insights in consumer behaviour patterns in decision making.

We activated our business continuity management processes in the early days of the pandemic, allowing non-essential personnel to work off-site and utilised a range of traditional and digital channels of communication to maintain operational efficiency. Pandemic prevention measures were put in place at our manufacturing facilities to ensure that production can continue safely, while we leveraged the strong supply chain partnerships we built over the years to ensure a steady supply of raw materials throughout the outbreak. This allowed us to sustain our production and minimise supply disruption to our customers, who appreciated the high level of service provided during this challenging period, and our ability to deliver orders on time.

We were able to contribute positively to the nation's food security in this uncertain period and successfully retained our customers in FY2020.

### Keeping our Workforce Safe

Various measures were implemented to help minimise the contagion risks of the outbreak on our premises, including:

- Implementing and complying with all Ministry of Health ("MoH") guidelines;
- Daily temperature screening of employees;
- Enforcing stringent hygiene practices and providing sanitisation facilities;
- Provision of additional personal protective equipment for employees;
- Enforcing physical distancing requirements and minimising contact between employees;
- Regularly engaging with government agencies to assess and monitor outbreak risks; and
- Enhanced communications with our employees.

Aside from physical health, we worked hard in creating an open culture that encourage our people to take time to understand each other's concerns, exchange ideas, and support each other through the challenges of this pandemic. We also provided crisis management training to our managers to help them work through the crisis while navigating the roller coaster of emotions experienced by staff amid heightened fear and uncertainty.

These efforts underpin our commitment to the physical and mental wellbeing of our employees. Leading with passion and compassion, we will continue to make every effort to keep abreast with the latest COVID-19 developments to minimise its impact on our employees and our operations.

## Management Discussion and Analysis

(cont'd)

### Diversifying our Range and Reach

As the initial supply-demand shocks subsided, we were able to rebuild our product inventory and continue on our strategic intent to broaden our product range and provide more choices for consumers. Leveraging consumer behavioural insights to guide our decision making, we created new recipes that add value for our customers and branched into Frozen-Ready-Meals in FY2020.

In tandem with the growth of our product range, Kawan also ramped up efforts to expand our distribution channels to widen the market for our products. We further enhanced our business model to offer more products online while engaging with our consumers via social media networks.

### HIGHLIGHTS OF ACHIEVEMENTS

Notwithstanding the tremendous changes in both the consumer trend and economic landscape, Kawan surpassed the year's challenges to deliver a strong operational and financial performance for FY2020.

#### Enterprise Resource Planning ("ERP") System

In early FY2020, Kawan rolled out a new ERP system at our Malaysian base to help us better coordinate production, resources, procurement, inventory, orders, invoicing and payments with greater efficiency. The data analytics provided by the new ERP system helped us to better navigate the challenges of the pandemic, providing timely and relevant data to ensure Kawan's smooth operations even when managers could not be on the premises due to COVID-19 restrictions.

With the proven success of the new ERP system, it was subsequently implemented at our subsidiary in China in December 2020 to further strengthen the Group's operational efficiency. The integration of these business processes into one cloud-based system will make the Group more agile in processing information for more effective decision making.

#### Food Safety & Health

Food safety continues to be a priority for us and throughout FY2020, we continued to deliver quality food despite the disruptions.

Cognisant of the growing expectations of higher food safety levels, we had strengthened our food safety management standards and processes with more stringent hygiene measures and guideline adherence to ensure we safeguard the health of our consumers.

We are happy to report that in the year under review, Kawan continued to meet the high standards of international food handling best practices. Our facilities have successfully maintained our Hazard Analysis Critical Control Point ("HACCP") MS1480:2019 Certificate, HALAL authentication certificate from JAKIM Malaysia, as well as the Good Manufacturing Practices ("GMP") certificate in FY2020, signalling our compliance with all relevant food safety, quality and operational requirements for food manufacturers.

We are also proud to have obtained a Grade A certification from British Retailer Consortium ("BRC") Global Standard for Food Safety (Issue 8) for our sites in FY2020, which is a step up from our FY2019 achievement.

These recognitions are critical to our ability to continue operating in the food manufacturing sector, serving as a sign of confidence in our products that consumers can trust.

#### Promoting Health

With an ever-increasing consumer demand for healthier food products, Kawan has taken the opportunity to aggressively promote our healthier range of products, namely our Low GI Chapatti and Low GI Plain Paratha, via social media platforms such as Facebook, Instagram and YouTube throughout the year.

The ongoing initiative was undertaken to meet consumers' demand while also serving to encourage a healthier lifestyle among the community.



## Management Discussion and Analysis (cont'd)

### New Affordable and Convenience Range

Aspiring towards global leadership in our sector, we were driven to innovate and improve our recipes and technologies to deliver delicious food that met the consumers' evolving needs. The culmination of this was the launch of several new and differentiated products in FY2020 to meet the increased demand for affordably priced convenience foods amid the pandemic, bolstering the strength of Kawan's product offering with the following new additions:

New pizza-snack with exciting topping flavours such as Banana Kaya, Jackfruit Kaya, Four Cheese, Pepperoni Chicken, and Salted Egg & Chicken Slices to satisfy customers' need for personal indulgence and for sharing with their family.





Introduced Frozen-Ready-Meals range of convenience food products with dishes such as Ayam Masak Lemak Cili Api, BBQ Chicken Wings, Chicken Curry, Chicken Curry Kapitan, Chicken Rendang and Mutton Curry.





## Management Discussion and Analysis

(cont'd)

These products will help to strengthen Kawan's visibility in the frozen food sector, enhancing our reach in our target markets and designated growth areas.

### Giving Back to the Community

Aside from our profit commitment to shareholders, we have pledged to support the communities in which we operate and are driven to act for the good of society, ensuring that our operations do not negatively impact the environment and our communities.

In light of the unprecedented hardships on marginalised communities caused by COVID-19, we stepped up to engage with national charities to offer our support. Leveraging our sizeable food manufacturing operations, Kawan contributed food donations to support charities such as the local food banks, PERTIWI Soup Kitchen and other local charity organisations that provided nourishment to those in need during the pandemic. Aside from that, we also made donations to support free sanitisation in schools and care homes to help fight poor hygiene and curb the spread of the COVID-19 virus.



## Management Discussion and Analysis

(cont'd)

### REVIEW OF OPERATIONS

#### Operational Overview

As a growing company, Kawan is constantly seeking opportunities to expand in our chosen categories, widen our distribution channels and diversify our customer base in the food industry. Kawan differentiates through products, innovation and technology, accompanied with technical skills to further strengthen efficiency, quality and value in our products.

Our products are exported around the world, with 56.3% of our sales coming from the international market, mainly the US, while the Malaysian market accounted for 43.7% of our Group's total revenue.

Although FY2020 presented greater operational challenges for the Group in managing our supply chain, adjusting to the fluctuating supply and demand, and sustaining our manufacturing capabilities with outbreak prevention measures in place, the changes in consumer behaviour ultimately bode well for the Group's growth performance in FY2020.

Revenue was 19.0% higher than FY2019 as the social restrictions implemented including work-from-home measures had driven demand for our products, while travel related operational cost for the Group decreased significantly.

We were pleased to be able to provide a continuous supply of safe and delicious food to our customers that contributed to the outstanding performance of Kawan in the pandemic year.

#### Export Market

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

At present, we export our products to all major continents, particularly to countries such as US, Canada, UAE, UK and Australia which have a large diaspora of Asian communities.

In FY2020, our export revenue increased by 13.3% to RM128.4 million, from RM113.4 million in FY2019. Growth is seen across the board in most of our export markets.

Top five (5) export countries for the FY2020		
Countries	Sales (RM)	
USA	50.8 million	
UK	15.9 million	
Canada	9.6 million	
Dubai	9.4 million	
France	4.1 million	

Export Markets	Growth (%)	Amount (RM)
Asia	14.0	32.5 million
Europe	17.0	22.2 million
North America*	10.1	60.4 million
Oceania	18.9	12.5 million
Africa	70.2	0.8 million

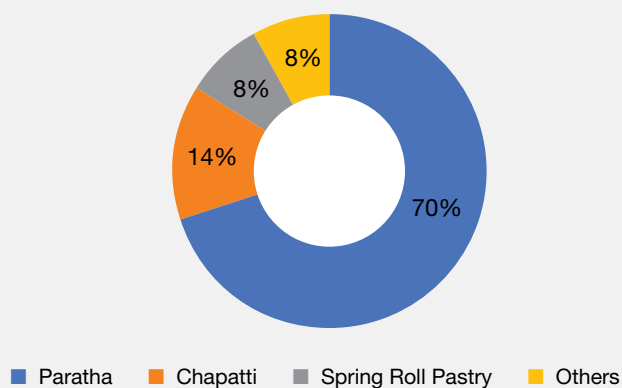
\* United States and Canada only



## Management Discussion and Analysis

(cont'd)

**Export Sales By Products Category**



Paratha remained our core product for the export market, contributing 70% of our international sales, followed by Chapatti and Spring Roll Pastry, coming in at 14% and 8% of our export sales respectively for FY2020.

### Malaysian Operations

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

Despite the challenging local economic conditions, our domestic sales increased by 31.7% to RM111.3 million in FY2020, up from 84.5 million in FY2019. The increase in revenue was mainly contributed by the growth from the following sales channels:

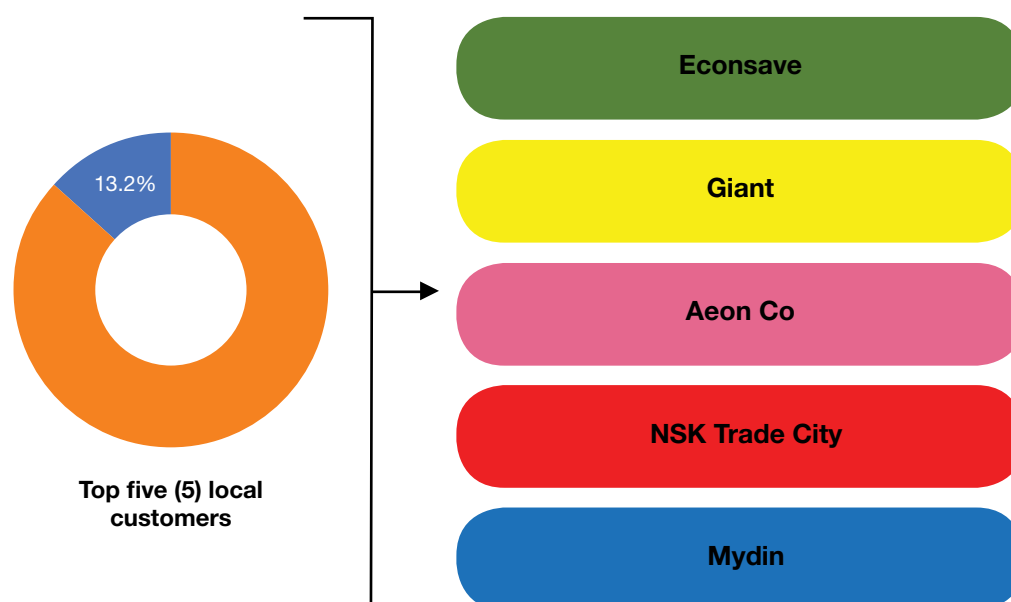
Domestic market channels	Growth %	Amount (RM)
Distributors	27.1	36.3 million
Key accounts	51.3	52.0 million
e-Commerce	>100.0	1.0 million
Retail, wholesaler & cash sales	15.4	12.1 million



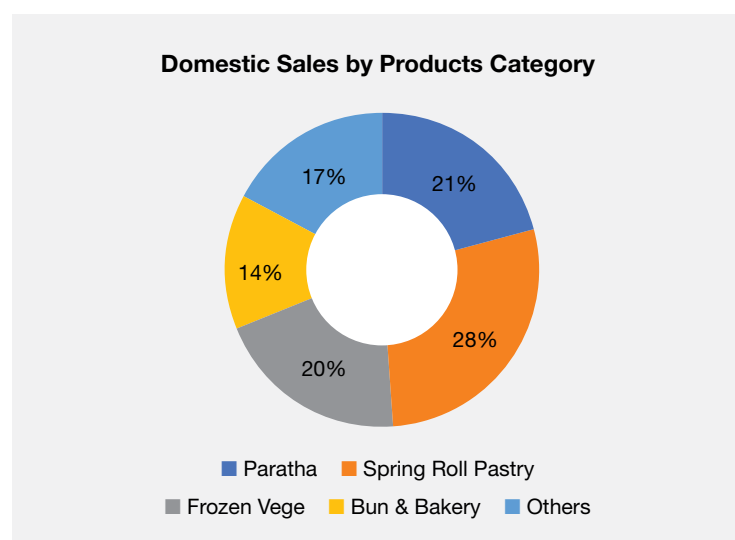
## Management Discussion and Analysis

(cont'd)

The majority of our domestic sales are through retailers. Our top five (5) customers contributed 13.2% to our total domestic sales in FY2020.



Foodservices revenue had decreased slightly by 9.4% from RM11 million in FY2019 to RM9.9 million in FY2020 following the implementation of lockdown measures and restrictions on outdoor activities. We recognise that the foodservice environment will remain challenging as long as the disruption from the COVID-19 pandemic continues. Nevertheless, its long-term potential continues to be promising and remains a key strategic segment of the Group where we intend to keep building our market share.



Spring Roll Pastry was our largest domestic product category, contributing 28% to the local sales. This was followed by Paratha and Frozen Vegetable categories, contributing 21% and 20% of our local revenue respectively, followed by Bun and Bakery products at 14%.

Our Malaysian operation was quick to adapt to the pandemic as it emerged, leveraging social media platforms to market our products, grow brand awareness and increase our presence in the digital sphere. The use of social media analytics also allowed us to better understand customer behaviour and conduct “sentiment analysis”, which allowed Kawan to respond more quickly to relevant trends and activities.

## Management Discussion and Analysis

(cont'd)

### E-Commerce Segment

Currently, our e-Commerce sells directly to consumers (“B2C”) and to small business retailers (“B2B”).

FY2020 was a significant year of growth for our e-Commerce business, which saw sales increase by more than 100.0% to RM998,400 in FY2020, up from RM130,000 in FY2019.

Although e-Commerce represents just a fraction of our total sales at the moment, we are keen to tap on the current digitalisation trend to expand this segment of our business as a means to strengthen our direct customer relationships. To that end, we pursued several business opportunities in FY2020 to drive growth via this channel:

- Launched a new interactive Kawan Food Malaysia online webpage for consumers to click and purchase;
- Initiated collaborations with new e-Commerce platforms such as Halal Food Master, Youbeli and Dropee; and
- Provided discounts, promotions and loyalty programmes to attract new customers and retain consumer loyalty.

By FY2020, the Kawan’s e-Commerce store had 14.5k registered members, of which 8.5k members also registered in our loyalty programme. Kawan utilises this data and data analytics to target its marketing strategies more precisely. Our efforts on this front had been noted by the Selangor Information Technology and E-Commerce Council (“SITEC”), who have shortlisted Kawan for the Malaysia Top E-Commerce Merchant Awards 2020, recognising our contributions in building a sustainable market.





## Management Discussion and Analysis

(cont'd)

### China-Based Operation

Our China base of operations consist of a manufacturing facility as well a distribution network servicing mainly China's mainland, while supporting our global export operations. Our customers in China are mainly industrial users, wholesalers and customers from foodservice channels, primarily from Shanghai, Beijing, Jiangsu, Fujian, Hebei, Shandong, Zhejiang, Hubei, Guangdong and Anhui.

In FY2020, domestic sales accounted for 43.6% of our revenue in China, with the remainder 56.4% of our revenue coming from sales to customers in our export markets.

Our China outpost was the first within the Group to be affected by the pandemic in January and February 2020 as the Chinese authorities imposed pandemic prevention measures such as temporary business closures and movement restrictions in an effort to contain the outbreak. Changes in consumer behaviour for the remainder of the year impacted the foodservice business, resulting in lower domestic sales in China and a corresponding decrease in revenue by 7.6% from RM16.3 million in FY2019 to RM15.0 million in FY2020.

### GROUP FINANCIAL REVIEW

#### Fiscal Performance

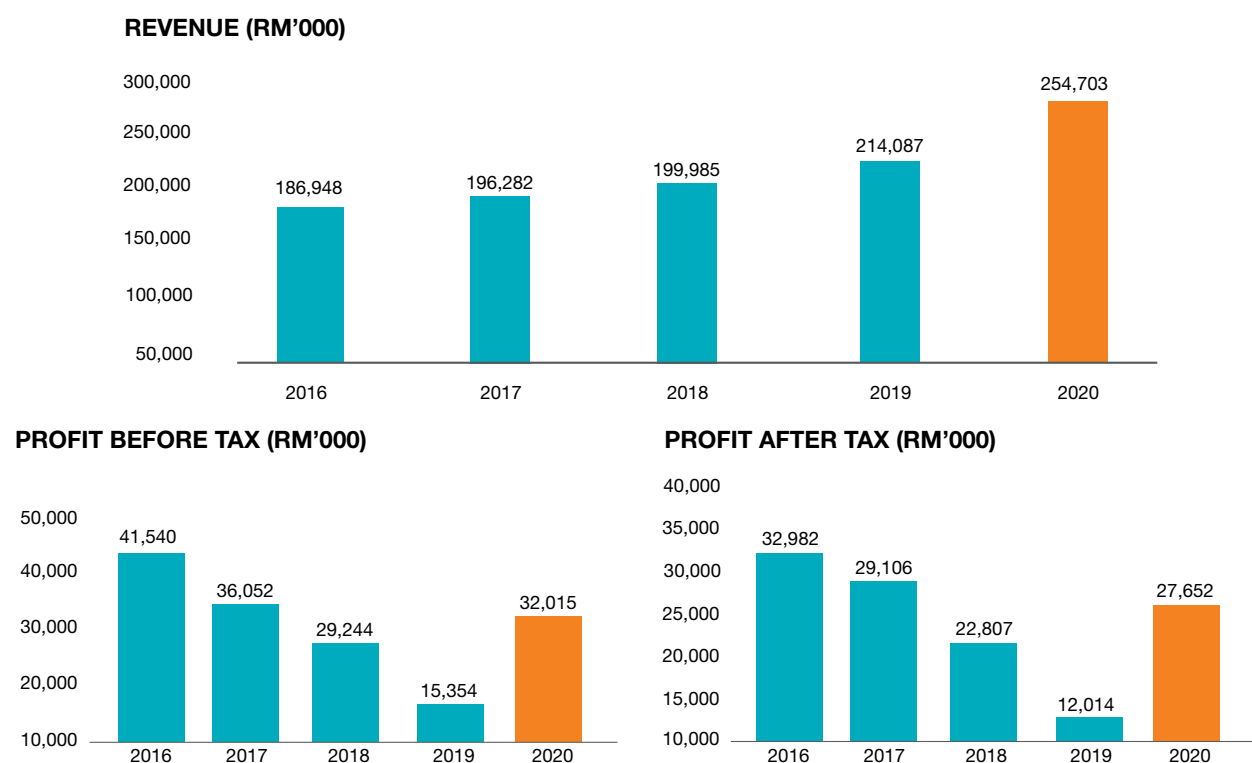
Our position in the frozen food supply value chain helped us benefit from the sales surge to deliver an outstanding performance in FY2020, providing safe and delicious food to our customers amid disruptions to production and global supply chains.

As such, Group revenue grew by 19.0% from RM214.1 million in FY2019 to RM254.7 million in FY2020, driven by export and domestic sales which grew by 13.3% and 31.7% respectively. Paratha remained the highest product contributor to the Group sales revenue which accounted for 45.3% of the Group's sales. In terms of revenue contribution by geographical segments, Malaysia remained the largest market for Kawan, generating 43.7% of the Group turnover, followed by North America at 23.7% and Asia at 13.0%.

The Group's Profit Before Tax ("PBT") in FY2020 increased by 108.5% to RM32.0 million, mainly due to higher revenue.

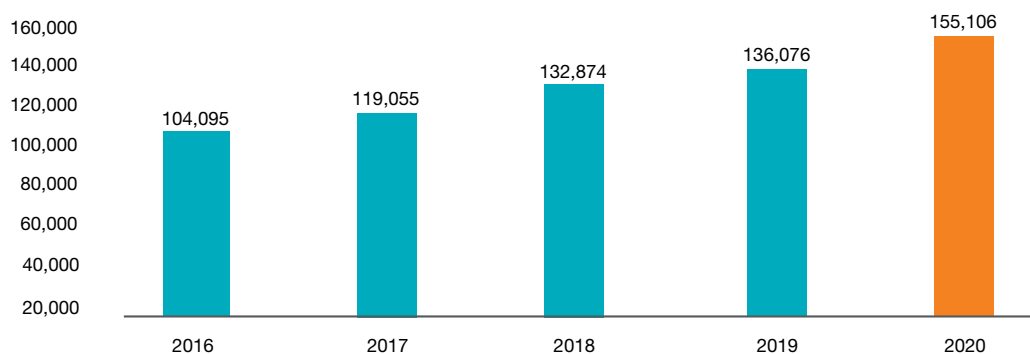
Our financial position remained strong after a tumultuous FY2020, ending the year with a market capitalisation of RM747.8 million.

#### Key Performance Indicators

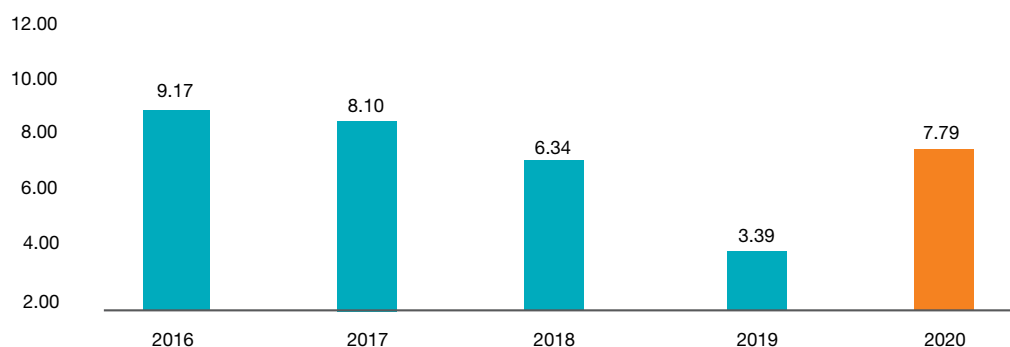


## Management Discussion and Analysis (cont'd)

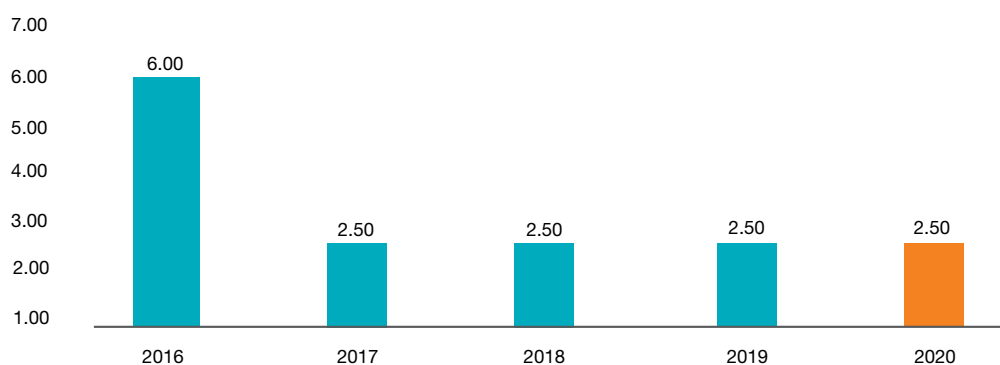
### RETAINED EARNINGS (RM'000)



### EARNINGS PER SHARE ("EPS") (sen)



### DIVIDEND PER SHARE ("DPS") (sen)



## Management Discussion and Analysis

(cont'd)

### STATEMENT OF PROFIT AND LOSS (RM'000)

	2016	2017	2018	2019	2020
Revenue	186,948	196,282	199,985	214,087	<b>254,703</b>
Profit Before Tax	41,540	36,052	29,244	15,354	<b>32,015</b>
Taxation	8,558	6,946	6,437	3,340	<b>4,363</b>
Profit After Tax	32,982	29,106	22,807	12,014	<b>27,652</b>
Non-Controlling Interests	-	-	-	(176)	<b>(365)</b>
Dividends	15,197	6,741	8,988	8,988	<b>8,988</b>
Bonus Issues	-	7,405	-	-	<b>-</b>
Retained Earnings (opening)	86,310	104,095	119,055	132,874	<b>136,076</b>
Retained Earnings (closing)	104,095	119,055	132,874	136,076	<b>155,106</b>

### STATEMENT OF FINANCIAL POSITION (RM'000)

	2016	2017	2018	2019	2020
Issued and Paid-up Share Capital	134,820	179,760	179,760	179,760	<b>179,760</b>
Share Premium	37,535	-	-	-	<b>-</b>
Non-Distributable Reserve	14,984	9,985	8,831	8,080	<b>10,141</b>
Retained Earnings	104,094	119,055	132,874	136,076	<b>155,106</b>
Shareholders' Fund	291,434	308,800	321,465	323,916	<b>345,008</b>
Non-Controlling Interests	-	-	-	1,024	<b>659</b>
Deferred Taxation	291	1,199	5,660	7,384	<b>9,220</b>
Long Term Borrowings	20,226	16,603	12,980	9,358	<b>5,736</b>
	<b>311,951</b>	<b>326,602</b>	<b>340,105</b>	<b>341,682</b>	<b>360,623</b>
Property, Plant and Equipment, Investment Properties, Right-of-use assets and Prepaid Lease Payments	207,565	236,463	249,827	252,185	<b>254,185</b>
Deferred Taxation	278	407	476	465	<b>486</b>
Net Current Assets	104,108	89,732	89,802	89,802	<b>105,952</b>
	<b>311,951</b>	<b>326,602</b>	<b>340,105</b>	<b>341,682</b>	<b>360,623</b>



## Management Discussion and Analysis

(cont'd)

### FINANCIAL RATIOS

	2016	2017	2018	2019	2020
Revenue growth (%)	12.77	4.99	1.89	7.05	<b>19.0</b>
Current ratio (times)	3.60	3.17	3.44	3.15	<b>2.89</b>
Cash ratio (times)	2.01	1.52	1.07	1.18	<b>1.18</b>
P/E ratio (times)	41.44	36.30	30.13	41.00	<b>26.70</b>
Total borrowings/Equity (%)	8.18	7.89	5.16	4.85	<b>4.39</b>
Long-term borrowings/ Equity (%)	6.94	5.38	4.04	2.88	<b>1.66</b>
Basic earnings per share (sen)	*9.17	8.10	6.34	3.39	<b>7.79</b>
Dividend per share (sen)	6.00	2.50	2.50	2.50	<b>2.50</b>
Net assets per share attributable to shareholders of the Company (RM)	1.08	0.86	0.89	0.90	<b>0.96</b>
Share Price - High (RM)	4.00	5.07	3.08	1.96	<b>2.88</b>
Share Price - Low (RM)	3.00	2.90	1.81	1.18	<b>0.82</b>
Share price at 31 December	3.80	2.94	1.91	1.39	<b>2.08</b>
Company market capitalisation (RM'000)	1,024,631	1,056,988	686,683	499,732	<b>747,801</b>

\* restated due to adjustments for bonus issue

### FIVE YEAR DIVIDEND PAYMENT AS % OF PROFIT AFTER TAX

	2016	2017	2018	2019	2020
Profit After Tax (RM'000)	32,982	29,106	22,807	12,014	<b>27,652</b>
Dividend Paid (RM'000)	15,197	6,741	8,988	8,988	<b>8,988</b>
Dividend Payment as % of Profit after Tax	46%	23%	39%	75%	<b>33%</b>

### Capital Expenditure

During the year under review, the Group incurred capital expenditure amounting to RM18.3 million, which was focused on infrastructure and equipment for our Pulau Indah manufacturing facilities. The amount was financed through internally generated funds.

### Dividend

An interim single tier dividend of 2.5 sen per ordinary share amounting to RM8.99 million was paid during the year under review. Additionally, the Group had on 22 February 2021, declared an interim single-tier dividend of 3.0 sen per ordinary share amounting to RM10.8 million in respect of the FY2021, which was paid on 30 March 2021.

## Management Discussion and Analysis

(cont'd)

### Outlook and Prospects

While countries the world over have begun rolling out mass vaccinations to rein in the pandemic, including Malaysia, we expect market conditions to remain volatile and unpredictable for FY2021 due to the uncertainty of the vaccines' viability, trade tensions and financial stress caused by high debt levels. Meanwhile, Malaysia also faces headwinds from the continued domestic political uncertainty.

Although the operating environment remains challenging, Kawan is well positioned to take advantage of the current condition to optimise our growth potential and secure new business opportunities. Indeed, we are anticipating further growth of our distribution channels, customer base, product range and product sales in FY2021, building on the inroads we have made over the past few years. Further investments in digitalisation, automation and Industry 4.0 will help drive efficiencies in our manufacturing and distribution processes and empower us to make data-driven decisions that create sustainable value for our customers and stakeholders.

We have also put in place the appropriate mitigating measures in managing known and anticipated risks material to Kawan, which are discussed on page 70 to 78 of the annual report.

Looking ahead, we recognise that the food industry will remain somewhat challenging as long as the disruption from COVID-19 pandemic continues. Nevertheless, Kawan is poised and prepared to face the future and will continue to grow our product portfolio, diversify our channels and build market share through whatever challenges to ensure we continue to deliver sustainable value for all our stakeholders.

### Closing Remarks and Appreciation

In parting, I would like to thank our people for their extraordinary efforts in FY2020. Our people went above and beyond their duty to provide our food products to our customers amid a raging pandemic, and I must commend them for their commitment.

Likewise, my gratitude extends as well to Mr Timothy Tan Heng Han ("Mr Timothy Tan") our former GMD, who left the Board in 1 January 2021. Mr Timothy Tan made strong contributions to the development and performance of the Group during his sixteen (16) years tenure at Kawan, and helped to ensure a seamless transition of Kawan's leadership. I wish him well in his future endeavours.

In his place, we have welcomed on board Mr Ng Hooi Khai ("Mr. Ng") to helm the Group as the Chief Executive Officer in August 2020. Mr Ng brings with him extensive corporate and manufacturing experience and a sterling track record spanning 28 years, having served in multinational companies in Malaysia and China. We look forward to a new era of growth for Kawan under his capable leadership.

FY2020 also saw changes to our Board composition. Our Non-Executive Director Mr Nareshchandra Gordhandas Nagrecha ("Mr. Naresh") retired from the Board at the conclusion of the Annual General Meeting in June 2020. Mr Naresh had served as a Non-Executive Director for almost 11 years. He provided strong support, guidance and oversight, and we thank him sincerely for his contribution.

Bolstering female Board representation to 22%, Ms Gan Ka Bien was appointed to the Board as an Executive Director with effect from November 2020. This appointment is important in adding strategic thinking and marketing expertise to the Board.

Last but not least, I wish to thank the Group management for their selfless dedication and commitment to the success of Kawan. I am grateful for the strong support of our Board, customers, consumers, suppliers, shareholders and other stakeholders as we navigate through this challenging environment.

It is a privilege to lead Kawan with all this support, and I look forward with excitement to grow the prospect of Kawan in the years ahead.

**Mr Gan Thiam Chai**  
Chairman



# **Kawan Food Manufacturing Sdn Bhd**

(126016-A)

subsidiary of Kawan Food Berhad

No. PT 129351, Jalan Sungai Pinang 4/19, Taman Perindustrian Pulau Indah,  
42920 Pulau Indah, Selangor Darul Ehsan





# SUSTAINABILITY STATEMENT

## About this Sustainability Report

This Sustainability Report (“Report”) provides a review of Kawan Food Berhad’s (“Kawan” or “the Company”) sustainability performance, as well as how it drove the practice of sustainability in its day-to-day operations for the financial year from 1 January to 31 December 2020 (“FY2020”).

Kawan’s approach to sustainability is based upon the Economic, Environmental and Social (“EES”) risks and opportunities coexisting with the Company’s corporate governance framework, its organisational culture, value chain to relevant stakeholders and corporate social responsibility (“CSR”).

Sustainability is a critical factor in enabling Kawan’s continued value creation, particularly in the realisation of non-financial values pertaining to its organisational and brand reputation, stakeholder relationships, social and environmental impacts as well as ensuring a meaningful contribution to Kawan’s adopted United Nations Sustainability Development Goals (“UNSDGs”).

Kawan’s key focus areas in FY2020 included food safety, digitalisation, driving anti-corruption awareness, health and safety for employees and community, particularly with the ongoing pandemic as well as CSR initiatives for the community.

## Scope of the Statement

This Sustainability Statement for FY2020 is prepared in accordance with the Bursa Malaysia Sustainability Reporting Guide (Second Edition). Unless otherwise stated, this Sustainability Statement covers Kawan’s sustainability performance of its operations in Malaysia for FY2020. The Company will continue to monitor, assess and further improve its approach to sustainability.

## Data Validation

For certain disclosures, Kawan has sought to provide a comprehensive and transparent perspective of its sustainability performance. Details presented in this statement has been sourced internally and validated by the respective business entities or information owners. Kawan continually explores avenues to improve data collection and analysis to heighten accuracy and strengthen disclosures.

## EES Pillars and Metrics

Economic		Environment	Social
<ul style="list-style-type: none"> <li>Business Performance</li> <li>Responsible Sourcing</li> <li>Product Safety and Quality</li> <li>Product Innovation</li> <li>Customer Relationship</li> </ul>		<ul style="list-style-type: none"> <li>Climate Management</li> <li>Pollution Control</li> <li>Energy Efficiency</li> <li>Water Consumption</li> <li>Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>Workforce Engagement</li> <li>Diversity and Inclusion</li> <li>Training and Development</li> <li>Community Engagement</li> </ul>

Pillars	Description	Metrics
Environmental	Kawan’s legacy of ensuring a positive impact on the environment and natural resources	Climate Management Natural Resources Preservation Pollution Control Waste Management
Economic	Kawan’s business objectives to achieve long-term shareholder value	Business Performance Product Innovation Customer Expectations
Social	Kawan’s good corporate citizenship obligation to the community it operates in	Workforce Relations Community Engagement Health and Safety

## Sustainability Statement

(cont'd)

### 1. GOVERNANCE: THE CORNERSTONE OF TRUST AND SUSTAINABILITY

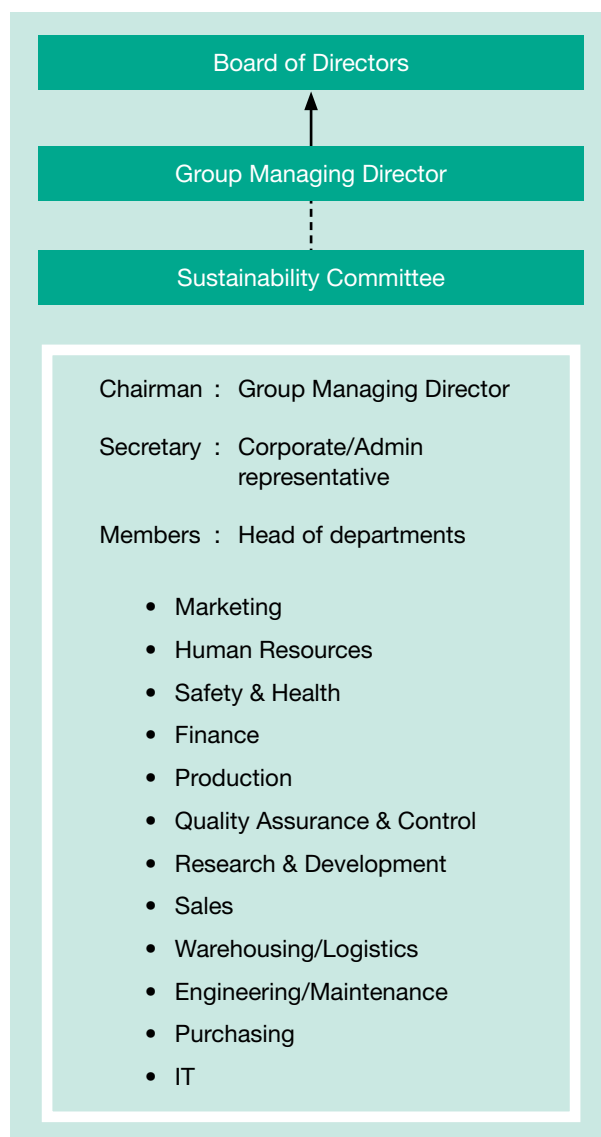
#### 1.1. Sustainability Governance

At Kawan, sustainability is driven by a robust, well-defined governance structure. The tone of this governance is set at the top with the involvement of the Board of Directors (“the Board”) and Senior Management. This structure enables the cascade of this sustainability agenda across the organisation.

Governance is overseen by the Board. The Board is in turn supported by the Sustainability Committee (“SC”), comprising of Heads of Departments (“HODs”) and chaired by the Group Managing Director (“GMD”), whose role is to update the Board on sustainability matters.

The SC works to review, deliberate and implement strategies to drive sustainability throughout the Company as well as monitor its progress. Focusing primarily on stakeholder engagement, material matters and the UNSDGs, the SC also has oversight on anti-corruption, anti-bribery, whistleblowing, code of conduct, health and safety and business continuity management. This oversight is timely in response to the ongoing impact of the pandemic.

The Sustainability Governance structure is as follows:



## Sustainability Statement (cont'd)

### 1.2. Sustainability Policy

Kawan's Sustainability Policy takes into account the expectations of its stakeholders and outlines a three-fold commitment of its impact to EES, aiming to:

- Identify activities, products and services with the potential to create impacts
- Eliminate or reduce adverse impacts through best practices, processes and controls
- Work towards enhancing its beneficial impacts

Kawan's progress is benchmarked against internationally recognised standards and principles such as those related to fair trade, the United Nations Guiding Principles on Business and Human Rights, as well the UNSGDs.

This policy is reviewed and updated periodically, and shared throughout the organisation and stakeholders for transparency and governance.

### 1.3. Regulatory Compliance

Beyond the governance structure, sustainability is also driven by compliance with regulatory and industry requirements. Kawan complies with the following local and international food and safety regulations, as below:

Area	Regulations and Standards
Product Quality and Safety	<ul style="list-style-type: none"> <li>Global Standard for Food Safety Issue 8</li> <li>HACCP Certification (MS1480:2019)</li> <li>Good Manufacturing Practice Certification</li> <li>Halal Food General requirements (3rd revision) (MS1500:2019) from the Department of Islamic Development Malaysia (Jakim)</li> <li>Makanan Selamat Tanggungjawab Industri (MeSTI)</li> </ul>
Labour	<ul style="list-style-type: none"> <li>Employment Act 1955</li> </ul>
Safety, Health and Environment	<ul style="list-style-type: none"> <li>Occupational Safety and Health Act, 1994</li> <li>Fire Services Act, 1988</li> <li>Environmental Quality Act, 1974</li> </ul>





## Sustainability Statement

(cont'd)

### 1.4. Corporate Governance and Ethics

At Kawan, good corporate governance is more than just complying with existing standards and regulations. It is also about ethics, trust and the values which shape Kawan's business conduct. This strengthens stakeholders' confidence and sets the benchmark of conduct for the organisation.

#### 1.4.1. Code of Conduct and Ethics ("COCE")

Kawan's COCE stipulates the expected standards for corporate behaviour, applicable to the Board, Management, employees and related stakeholders. All incoming Board members as well as staff are briefed on the COCE during their induction programme, with periodic refreshers provided.

#### 1.4.2. Anti-Corruption and Anti-Bribery Policy ("ABC Policy")

Kawan's new ABC Policy, developed in FY2020, clearly reinforces its zero tolerance for acts of bribery and corruption and this applies to all of Kawan's employees, its subsidiaries and stakeholders, including suppliers.

This policy has been updated to include a commercial organisation's criminal liability (corporate liability) introduced in Section 17A of the Malaysian Anti-Corruption Commission ("MACC") (Amendment) Act 2018. As part of Kawan's risk-assessment exercise, the Company has also incorporated a non-compliance risk for the MACC Act. Training sessions were conducted for Directors and HODs. HODs in turn have communicated this to their respective subordinates to create awareness within the scope of their day-to-day operations. HR also conducted briefings for employees.

There were no reports of any bribery or corruption in FY2020.

#### 1.4.3. Whistleblowing

Kawan's Whistleblowing Policy outlines a formal mechanism in which any employee or members of the public may report actual or suspected bribery, corruption and other wrongdoings. This Policy protects the identity and information pertaining to the reporting individual as well as against any form of retaliation. The Senior Independent Non-Executive Director would appoint an Investigation Team and their report would be presented to the Board for appropriate action.

In FY2020, no whistleblowing reports were received.



## Sustainability Statement

(cont'd)

### 2. STAKEHOLDER ENGAGEMENT

At Kawan, stakeholder engagement is a key ingredient to strengthen relationships with relevant stakeholders, understand the needs of the customer and enable key insights to further improve processes, products and service levels for current and future growth.

To ensure its continued strong business performance, Kawan has adopted a multi-channel, multi-level approach in engaging its stakeholders, building a comprehensive stakeholder mapping of its stakeholder universe and formulating a robust comprehensive engagement plan.

The table below outlines Kawan's stakeholder engagement approach for FY2020:

Stakeholders	Mode of Engagement	Frequency	Focus Areas	Material Matters
Shareholders/ Investors	<ul style="list-style-type: none"> <li>Annual General Meeting/Extra-ordinary General Meeting</li> <li>Quarterly and Annual Reports, Announcements</li> <li>Corporate Website</li> <li>Analyst Briefings/ Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Quarterly/ Annually</li> <li>Ad-hoc</li> <li>Ad-hoc</li> </ul>	<ul style="list-style-type: none"> <li>Company Performance</li> <li>Profitability/Growth</li> <li>Company Direction and Strategy</li> <li>Dividend</li> <li>Corporate Governance</li> <li>Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance and Ethics</li> <li>Economic Sustainability</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Sports &amp; Social Club</li> <li>Events – Annual Dinner, Festive celebrations, etc.</li> <li>Departmental Meetings</li> <li>Teambuilding</li> <li>Townhall</li> <li>Kawan Connect (e-Newsletter)</li> <li>Policies and Procedures</li> </ul>	<ul style="list-style-type: none"> <li>Ad-hoc</li> <li>Ad-hoc</li> <li>Ongoing</li> <li>Ad-hoc</li> <li>Ad-hoc</li> <li>Quarterly</li> <li>Yearly</li> </ul>	<ul style="list-style-type: none"> <li>Employee Remuneration and Benefits</li> <li>Occupational Health &amp; Safety</li> <li>Career Development and Training</li> <li>Corporate Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Occupational Health and Safety</li> <li>Diversity and Inclusion</li> <li>Training and Development</li> <li>Economic Sustainability</li> </ul>
Distributors/ Key accounts/ Consumers	<ul style="list-style-type: none"> <li>Customer Feedback Survey</li> <li>Customer Visits/ Meetings</li> <li>Exhibitions/Road shows</li> <li>End-user Feedback via Email and Social Media</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>Ongoing</li> <li>Ongoing</li> <li>Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Product Quality</li> <li>On Time Delivery</li> <li>Stock Availability</li> <li>Product Innovation</li> <li>Marketing and Branding</li> <li>Product Knowledge</li> <li>Affordability</li> <li>Customer Relations Management</li> </ul>	<ul style="list-style-type: none"> <li>Food Safety and Quality</li> <li>Product Innovation</li> </ul>
Food Standards Auditors	<ul style="list-style-type: none"> <li>Compliance Audits</li> </ul>	<ul style="list-style-type: none"> <li>Yearly</li> <li>Ad-hoc check and planned audit</li> </ul>	<ul style="list-style-type: none"> <li>Food Safety and Quality</li> </ul>	<ul style="list-style-type: none"> <li>Food Safety and Quality</li> <li>Occupational Health and Safety</li> </ul>

## Sustainability Statement

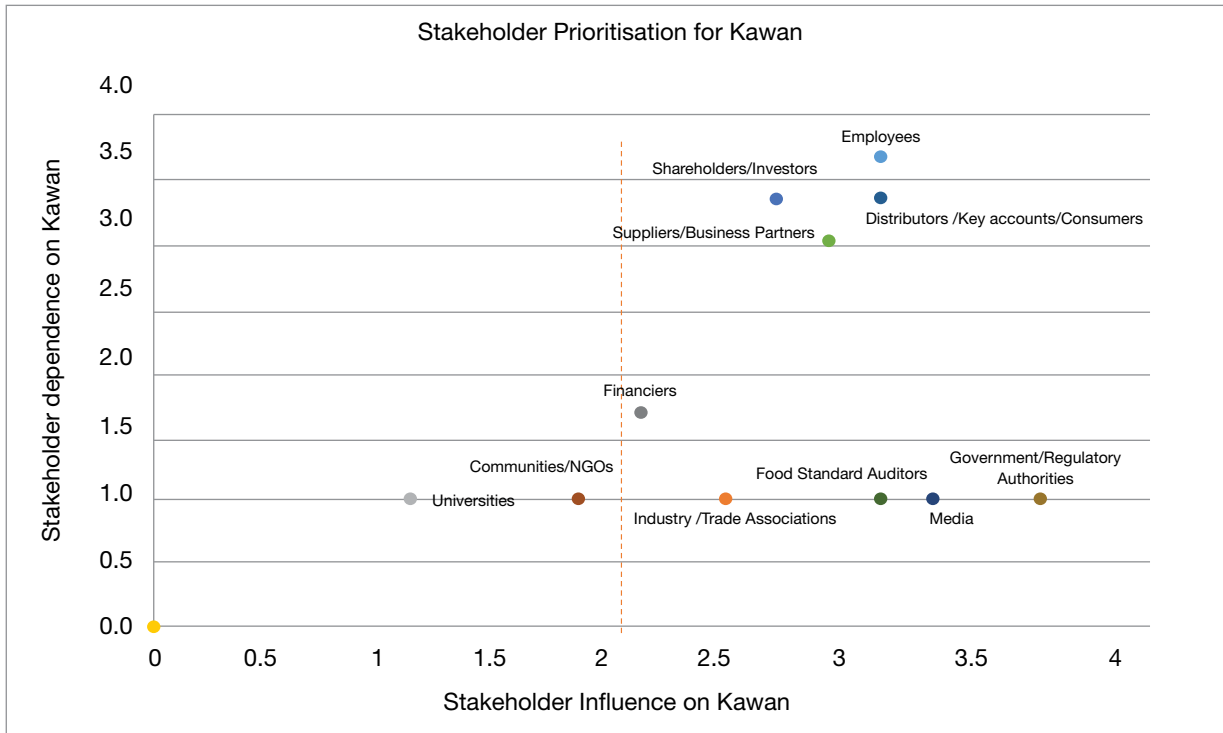
(cont'd)

Stakeholders	Mode of Engagement	Frequency	Focus Areas	Material Matters
Government/ Regulatory Authorities	<ul style="list-style-type: none"> <li>Statutory Submissions</li> <li>Meetings/Work-shops</li> <li>Site visits/ Conferences</li> </ul>	<ul style="list-style-type: none"> <li>Monthly/ Yearly/ Quarterly</li> <li>Ad-hoc</li> <li>Ad-hoc</li> </ul>	<ul style="list-style-type: none"> <li>Socioeconomic/ Legal Compliance</li> <li>Food Safety and Product Quality</li> </ul>	<ul style="list-style-type: none"> <li>Food Safety and Quality</li> <li>Corporate Governance and Ethics</li> <li>Environmental Management</li> <li>Economic Sustainability</li> </ul>
Suppliers/ Business Partners	<ul style="list-style-type: none"> <li>Contractual/ Annual Review</li> <li>Regular Meetings</li> <li>Supplier Evaluation Audits</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>Yearly</li> <li>Ad-hoc</li> </ul>	<ul style="list-style-type: none"> <li>Payment</li> <li>Procurement Practices</li> <li>Compliance with Rules and Regulations</li> <li>Business Ethics Practices</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance and Ethics</li> <li>Responsible Sourcing</li> <li>Food Safety and Quality</li> <li>Economic Sustainability</li> </ul>
Media	<ul style="list-style-type: none"> <li>Interviews/Press Release</li> <li>Advertisements</li> <li>New Product Launches</li> </ul>	<ul style="list-style-type: none"> <li>Ad-hoc</li> <li>Ad-hoc</li> <li>Ad-hoc</li> </ul>	<ul style="list-style-type: none"> <li>Product Awareness/ New Product Launch</li> <li>Product Information</li> <li>Branding</li> <li>Financial Performance</li> </ul>	<ul style="list-style-type: none"> <li>Food Safety and Quality</li> <li>Corporate Governance and Ethics</li> <li>Economic Sustainability</li> </ul>
Communities/ NGOs	<ul style="list-style-type: none"> <li>Corporate Social Responsibility Activities</li> </ul>	<ul style="list-style-type: none"> <li>Ad-hoc</li> </ul>	<ul style="list-style-type: none"> <li>Community Engagement</li> <li>Social and Environmental Concerns</li> </ul>	<ul style="list-style-type: none"> <li>Community Engagement</li> <li>Environmental Management</li> </ul>
Industry and Trade Associations	<ul style="list-style-type: none"> <li>Association meetings</li> <li>Trainings</li> <li>Exhibitions</li> </ul>	<ul style="list-style-type: none"> <li>Ad-hoc</li> <li>Ad-hoc</li> <li>Ad-hoc</li> </ul>	<ul style="list-style-type: none"> <li>Current and Future Industry Outlook and Challenges</li> <li>Market Trend</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance and Ethics</li> <li>Economic Sustainability</li> </ul>
Financiers	<ul style="list-style-type: none"> <li>Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Ad-hoc</li> </ul>	<ul style="list-style-type: none"> <li>Financial Performance</li> </ul>	<ul style="list-style-type: none"> <li>Economic Sustainability</li> </ul>
Universities	<ul style="list-style-type: none"> <li>Training</li> <li>Internships</li> </ul>	<ul style="list-style-type: none"> <li>Ad-hoc</li> <li>Ad-hoc</li> </ul>	<ul style="list-style-type: none"> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>Training and Development</li> </ul>



## Sustainability Statement (cont'd)

### FY2020 Stakeholder Prioritisation Matrix



## Sustainability Statement

(cont'd)

### 3. MATERIAL MATTERS

### 3.1. Kawan's Approach to Materiality

Each year, the Company will review its materiality assessment exercise to identify, assess and prioritise material issues that are relevant to Kawan and its related stakeholders. This is put through a rigorous internal process, being vetted with current priorities, taking into consideration concerns from stakeholders and industry peers. This process will be cross referenced with the global sustainability initiatives such as the UNSDGs.

In FY2020, the Company had identified 11 key material issues, 8 of which were of high importance.

### 3.1.1 FY2020 Materiality Matters

		<ul style="list-style-type: none"> <li>• Economic Sustainability</li> <li>• Occupational Health and Safety</li> <li>• Product Safety and Quality</li> <li>• Environmental Management</li> <li>• Climate Management</li> <li>• Product Innovation</li> <li>• Responsible Sourcing</li> <li>• Corporate Governance and Ethics</li> </ul>
	<ul style="list-style-type: none"> <li>• Diversity and Inclusion</li> </ul>	<ul style="list-style-type: none"> <li>• Training and Development</li> </ul>
	<ul style="list-style-type: none"> <li>• Community Investment</li> </ul>	

## Sustainability Statement

(cont'd)



### 3.2. Aligning with the United Nations Sustainability Development Goals (UNSDGs)



The UNSDGs are a collection of 17 interlinked global goals to build economic growth and address a range of social needs, ranging from health and education to climate change and environmental protection. It is essentially a blueprint to achieve a better and more sustainable future for all.

Kawan is proud that it took its initial steps in 2019 to align with the UNSDGs in this sustainability journey. In this process, it has identified 5 UNSDGs where the Company has the biggest impact in terms of risk and opportunity over the long term.

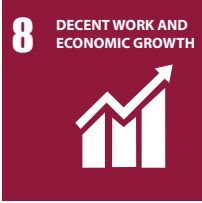

#### 3.2.1 FY2020 Materiality Matters

UNSDGs	MATERIALITY MATTERS	BUSINESS STRATEGIES
 <p><b>2</b> ZERO HUNGER</p>	<ul style="list-style-type: none"> <li>Community Investment</li> </ul>	<ul style="list-style-type: none"> <li>Providing food to local communities to support community development in Malaysia</li> </ul> <p><i>Please refer to page 43 on Engaging the Community</i></p>
 <p><b>3</b> GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> <li>Product Safety and Quality</li> <li>Product Innovation</li> <li>Occupational Health and Safety</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to relevant policies, best practices, regulations and food safety standards</li> <li>Focus on innovation to enhance quality of products and inspire people to eat healthier</li> <li>Increasing awareness of safety and health by implementing campaigns</li> <li>Focus on driving continuous improvements through customer engagements</li> <li>Continuous improvement of occupational safety and health systems</li> <li>Instituting strong employee safety and wellbeing measures against Covid-19</li> </ul> <p><i>Please refer to Occupational Health and Safety (page 42), Product Innovation (page 35) and Product Safety and Quality (page 35)</i></p>




## Sustainability Statement

(cont'd)

UNSDGs	MATERIALITY MATTERS	BUSINESS STRATEGIES
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Corporate Governance and Ethics</li> <li>• Diversity and Inclusion</li> <li>• Training and Development</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring sustainable business performance and generating employment opportunities</li> <li>• Expanding e-commerce development</li> <li>• Exploring automation and digitalisation, aligning with Industry 4.0</li> <li>• Promoting high standards of business conduct</li> <li>• Introduction of the ABC Policy, with inclusion of MACC's corporate liability</li> <li>• Provide equal employment and no discrimination</li> <li>• Sourcing of local workers</li> <li>• Continuous training and development of employees</li> <li>• Providing universities with internship opportunity</li> </ul> <p><i>Please refer to Training, Development and Talent Management (page 41), Diversity and Inclusion (page 39), Corporate Governance and Ethics (page 26), Economic Sustainability (page 33) and Responsible Sourcing (page 34)</i></p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> <li>• Product Safety and Quality</li> <li>• Responsible Sourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on driving continuous improvements through customer engagements</li> <li>• Managing supply chain by traceability and engagement with suppliers</li> <li>• Strengthening due diligence to include legislative protection</li> <li>• Focus on local sourcing</li> <li>• Supports Roundtable on Sustainable Palm Oil</li> </ul> <p><i>Please refer to Responsible Sourcing (page 34) and Product Safety and Quality (page 35)</i></p>

## Sustainability Statement

(cont'd)

UNSDGs	MATERIALITY MATTERS	BUSINESS STRATEGIES
	<ul style="list-style-type: none"> <li>Climate Change and Environmental Management</li> </ul>	<ul style="list-style-type: none"> <li>Managing climate change risk with pollution control</li> <li>Adopt energy efficient practices in usage of natural resources</li> <li>Implementation of solar photovoltaic system to reduce carbon footprint</li> <li>3R principles – reduce, reuse and recycle for waste management</li> </ul> <p><i>Please refer to page 37 on Climate Change and Environmental Management</i></p>

Moving forward, Kawan will continue with efforts to further align itself in support of the identified UNSDGs.

## 4. ECONOMIC PILLAR

### 4.1. Business Performance

Economic sustainability refers to practices that support long-term economic growth without negatively impacting social, environmental and cultural aspects of the community. With this in mind, Kawan seeks to drive economic value creation and share this amongst its internal and external stakeholders within its business ecosystem.

Economic Performance	FY2020	FY2019	FY2018
*Group Revenue (RM)	254.7m	214.1m	200.0m
*Group Net Profit (RM)	27.7m	12.0m	22.8m
*Group Taxation (RM)	4.4m	3.3m	6.4m
Kawan Workforce	529	480	426

*\*Group refers to Kawan and its subsidiaries*

For further information, please refer to the Management Discussion and Analysis section of this report.

#### 4.1.1. Indirect Economic Value Generated

Description	FY2020 (RM)	FY2019 (RM)
Total Payout to Employees (salaries and benefits)	27.3m	21.8m
Employees Provident Fund (EPF)	2.3m	1.9m
Social Security Organisation (SOC SO)	250,000	186,000
Human Resources Development (HRD) Levy	146,000	131,000
Employment Insurance System (EIS)	21,000	17,000

Kawan's procurement strategy takes into consideration local sourcing. This strategy is evident in that 72% of its suppliers are local, contributing to the economic wellbeing of local industries.

With effect from 1 February 2020, the Government has mandated that worker's minimum wage be increased from RM1,100 to RM1,200. Notwithstanding this, all employees at Kawan earn wages above this minimum scale.

## Sustainability Statement

(cont'd)

### 4.1.2. Leveraging on Industry Opportunity

Kawan's industry membership of the Federation of Malaysian Manufacturers ("FMM") and Malaysia External Trade Development Corporation ("MATRADE") presents avenues to enhance Kawan's brand awareness and increase access to business opportunities. It also provides an avenue for sharing of industry best practices and manufacturing process advancements. On a broader note, it serves to project Malaysia's manufacturing capacity, technological capability and investor friendly environment.

### 4.1.3. Aligning with Industry 4.0

Kawan is consistently exploring avenues to tap onto technology, automation and digitalisation to improve production efficiency and service quality. This has led to the Company's own roadmap, aligned with the Government of Malaysia's 'Industry 4.0' blueprint, aspiring to take Kawan to become a best-in-class food manufacturing company.

In FY2020, the Company invested in a solar photovoltaic system (details provided under the Energy Consumption section of this report). Kawan's use of its Enterprise Resource Planning ("ERP") has resulted in insightful data analytics on sales by products/regions, improved accuracy in orders and faster response time. This has led to improved decision making and business agility for enhanced customer satisfaction.

Kawan has benefited from its digitalisation thrust with initiatives such as its online stores within the Klang Valley. This has resulted in a record high sales growth in FY2020.

Kawan will drive automation to the next level in FY2021, aiming to enhance productivity and efficiency. In this, the Company plans to explore digitalisation for various initiatives including Overall Equipment Effectiveness (OEE), Lean manufacturing, integrated control system and computerised maintenance management system.

### 4.1.4. Responsible Sourcing

#### 4.1.4.1. Purchasing Policy

To meet the Company's high standards of quality and commitment to product safety, it adopted a Purchasing Policy, overseen by Kawan's Head of Purchasing Department. The policy also outlines the process of vetting new suppliers for inclusion into an 'Approved Supplier List'.

Kawan's suppliers are selected on a meritorious, value proposition basis. This is defined by their quality of products and services, competitive pricing, prior track record and business ethics.

With view to supporting the local industry and national economy, Kawan looks to incorporate local sourcing into its procurement strategy. Selecting a supplier geographically closer to Kawan's operations also means a reduction in lead time and transportation costs, with the added benefit of reduced emission of pollution, given the reduced distance.

Kawan acknowledges the efforts of the Roundtable on Sustainable Palm Oil ("RSPO"), a global, multi-stakeholder initiative on sustainable palm oil. In FY2020, the Company initiated the process to be a member of RSPO.

#### 4.1.4.2. Due Diligence on Suppliers

Quality and reliability are key factors required of Kawan's suppliers and hence due diligence is critical. Audit on new suppliers are conducted via questionnaires, requiring them to self-declare and provide relevant updated certifications. Compliance audits are conducted on key or critical suppliers to ensure adherence to Kawan's quality requirements and compliance with regulatory hygiene practices.

Kawan will further strengthen its due diligence on suppliers pertaining to Child Labour, Forced Labour, Gender and Racial Non-Discrimination, Equal Opportunity and Occupational Safety and Health ("OSH"). Moving forward, Kawan aims to also conduct relevant audits of such areas.



## Sustainability Statement

(cont'd)

### 4.2. COMMITMENT TO PRODUCT SAFETY AND QUALITY

Kawan is uncompromising on upholding its stringent food safety policy, the bedrock of assurance to its customers and the overall business. A team of trained safety personnel oversees all aspects of its product lifecycle, commencing from sourcing of ingredients, research and development, production and packaging to product delivery itself. This process aligns with international BRC food standards and is subjected to scrutiny by an independent third-party audit.

This team, reporting directly to the Managing Director (“MD”), ensures strict compliance with Kawan’s food safety policy, covering, but not limited to:

- Sourcing for high-quality ingredients
- Regular auditing
- Managing potential risks using a robust Hazard Analysis Critical Control Point (HACCP) system
- Continuous review and improvement of food safety systems and processes to validate quality of raw materials, packaging, quality of products and suitable suppliers
- Invest where necessary in new equipment and technologies to maintain high food safety and quality standards
- Ongoing quality and safety related training programmes for employees
- Reinforcing a culture of good practices amongst employees

There were no product recalls in FY2020.

### 4.3. PRODUCT INNOVATION

At Kawan, product innovation is based on the principles of functionality, quality, sustainability and affordability. This drives long term value of our products, as seen in the launch of 12 new innovative products in FY2020.

Please refer to MDNA on pages 10 to 11 of the Annual Report.

### 4.4. CUSTOMER RELATIONSHIP MANAGEMENT

Kawan strives to continuously evolve to meet customer satisfaction. Customer feedback is important in addressing issues early and to ensure high-quality products.

Kawan undertakes an annual customer satisfaction survey to gauge their perception of product quality, availability and timeliness of product, customer care, complaints and overall satisfaction.

In FY2020, Kawan’s customer satisfaction survey recorded 339 respondents, a 44% decrease over 604 respondents in FY2019. This is largely attributable to the focus on Movement Control Orders (MCO) due to COVID-19. The survey revealed the following scores:

Market	Category	Respondents	Assessment (%)
Export	Fully Satisfied	40	96
	Neutral	7	4
	<b>TOTAL</b>	<b>47</b>	<b>100</b>
Local Sales	Excellent	46	16
	Very Good	143	49
	Good	95	32
	Fair	7	2.6
	Poor	1	0.4
	<b>TOTAL</b>	<b>150</b>	<b>100</b>

## Sustainability Statement

(cont'd)

### Presence In Social Media

Kawan has been actively engaging members of the public on Facebook. This provides yet another avenue of engagement to better understand customer's preferences and market trends. In FY2020, driving interests via captivating videos featuring easy-to-follow recipes, Kawan managed to garner 118,700 fans on its Facebook page, <https://www.facebook.com/kawanfood/>. This represents an increase of almost 6,000 fans over FY2019.

Kawan drives exposure on various other social media channels such as its website <http://kawanfood.com/>, [info@kawanfood.com](mailto:info@kawanfood.com) and Instagram ([https://www.instagram.com/kawan\\_food/](https://www.instagram.com/kawan_food/)), enabling direct engagement with Kawan's trained sales personnel as well as via traditional channels such as emails and postal service.



Various avenues are available to receive queries, feedback and complaints. Besides the above social media channels, Kawan has a hotline (+603 5511 8388) as well as a Chatbox at Kawan's e-Commerce store. Complaints are acted upon promptly by our Sales and Marketing Department, working conscientiously toward a successful resolution. Kawan's business software system which features automatic reminders to respective owners to follow up before the due date, has facilitated improvements to this process.

In FY2020, there were a total of 91 cases of customer complaints, of which the resolution rate was 92%. Despite the increased production in FY2020, there was a reduction of 9 cases (10%) in customer complaints, pointing to Kawan's increased levels of product quality and safety.

## Sustainability Statement (cont'd)

### 5. ENVIRONMENTAL PILLAR



#### 5.1. Climate Change And Environmental Management

As a business organisation, Kawan is cognizant that, in the course of their business operations and within their value chain, there might be impacts on climate change. Kawan has and is continuing to address emissions from its production plants. For more information, please refer to the section below on Pollution Control.

Kawan has formulated an Environmental Policy ("the Policy"), committing to managing and minimising the environmental impact of its business operations. Aligning with related legislations, it focuses on pollution, consumption of water and energy, waste products and recycling, amongst others.

#### 5.2. Pollution Control

Kawan's Environmental Policy includes managing GHG emissions. Kawan's emission levels of carbon dioxide from its manufacturing facilities are in compliance to the Department of Environment (DOE) Malaysia's regulations. Kawan is committed to exploring technology to further improve its manufacturing processes to reduce emissions.



## Sustainability Statement

(cont'd)

### 5.3. Energy Consumption

In FY2020, Kawan embarked on a Solar Photovoltaic System to lower energy costs and at the same time, to reduce its carbon footprint. Installation of solar panels had commenced in October 2020 and is anticipated to be completed by the first half of 2021. It is estimated that RM1.2 million per annum of the electricity bill will be saved. This is in line with Kawan's commitment for green, renewable, sustainable energy to mitigate the impact of climate change.

The higher efficiency of production achieved at Kawan's manufacturing plants resulted in the lowering of its energy usage, measured in kilowatt-hour per kilogram product (kWh/kg). Energy usage was reduced by 8.1%, to 0.68kWh/kg in FY2020. The table below shows energy use at Kawan's site:

Financial Year	Kawan Food Pulau Indah (kWh/kg)
2020	0.68
2019	0.74
2018	2.11

### 5.4. Water Consumption

Kawan is continually exploring means to optimise water consumption. Existing initiatives were adopted at Kawan to manage water consumption include monitoring water bills for possible leakage and rainwater collection via conservation tanks. Its wastewater treatment plant is currently operational, aiming to minimise the impact to the environment.

The improvement in production efficiency at Kawan's manufacturing plants also resulted in a decrease in water usage by 15.2% to 0.0028m<sup>3</sup>/kg in FY2020.

The table below shows water consumption at Kawan's site:

Financial Year	Kawan Food Pulau Indah (m <sup>3</sup> /kg)
2020	0.0028
2019	0.0033
2018	0.0069

### 5.5. Waste

Kawan has inculcated the global '3R' concept within its operations to manage waste generated, namely to:

#### Reduce

Kawan constantly seeks out innovative production processes with the aim to reduce its material and paper consumption. One such innovation is the use of the ERP system in which data is stored and monitored on a digital platform, moving away from the use of paper. The Company has also installed auto wrap-film stretch to reduce material consumption.

## Sustainability Statement (cont'd)

### Reuse

Kawan aims to reuse and recycle materials as much as possible. It has embarked on redistributing unsold edible surplus food to local charities; whereby through this initiative, it successfully delivered over RM60,000 worth of food in FY2020.



### Recycle

Kawan has installed containers at appropriate operating sites, encouraging employees to deposit waste by separating it into paper, plastic and glass. This, and food waste is collected by a third-party for use as animal feed. Funds collected from this effort is used for employees' welfare, thus further motivating the recycling drive.

Scheduled (hazardous) waste such as compressor oil and glycol are collected by DOE authorised third-party contractors for responsible disposal or treatment.

Disposal of Kawan's waste and effluents are managed in accordance with statutory provisions outlined in the Environmental Quality (Schedules Wastes) Regulations 2014 and Environmental Quality (Industrial Effluent) Regulations 2009.

There were no fines for any offence in violation of the environmental laws in FY2020.

## 6. SOCIAL PILLAR

### 6.1. Workforce

Kawan is aware of the importance of its workforce in enabling a key strategic competitive advantage. This drives its value creation for its stakeholders which translates into economic, environmental and social development.

### 6.2. Diversity and Inclusion

Kawan proudly acknowledges diversity as a strength. Guided by its Diversity Policy, Kawan continues to promote a work culture with emphasis on equality and fairness of opportunity, as well as openness and freedom from bias and discrimination.

As at 31 December 2020, Kawan's workforce of 529 employees comprise of 152 Malays, 87 Chinese, 31 Indians and 54 of other races, totaling 324 Malaysians or 61% of total workforce. 205 foreign nationals made up the balance of 39%.

## Sustainability Statement

(cont'd)

Age Distribution	2020 (%)	2019 (%)	2018 (%)
< 30 years old	48	42	39
30 – 39 years old	31	36	35
40 – 49 years old	13	13	17
≥ 50 years old	8	9	9
Workforce By Gender			
Male	68	69	57
Female	32	31	43
Workforce Diversity			
Malay	29	32	32
Chinese	16	16	16
Indian	6	7	7
Other races	10	1	1
Foreign nationals	39	44	44

Despite the challenges imposed by the ongoing pandemic, Kawan's workforce grew by 10% in FY2020 to 529 employees. Kawan's employment of foreign nationals reduced to 205 employees in FY2020 from 211 employees in FY2019, representing a 5% decrease from its overall workforce. This aligns with the Government's calls to support local employment.

The Company's gender profile in FY2020 showed a marginal 1% increase in female employees to 32% over FY2019. The higher percentage of male employees is due to the nature of its operation.

Within Kawan's workforce, 254 employees representing 48% fall into the category of below 30 years old, with 164 employees or 31% in the 30-39 years old category.

### 6.3. Recruitment Campaigns and Induction Programmes

Kawan seeks to employ candidates based on merit and competency, and with the right attitude to add value to the Group's operations.

In FY2020, recruitment drives were conducted in neighbouring areas such as Pulau Indah and Klang, with the emphasis on hiring Malaysians, irrespective of physical challenges or socio-economic status.

Kawan has registered with the Employment Recruitment Incentives Programme (Penjana Kerjaya) and has reached out to unemployed youths via a carnival organised by the Social Security Organisation (SOCO). Kawan's recruitment initiatives proved a success where 133 people were recruited in FY2020, particularly noteworthy given the employment opportunity difficulty experienced in the wake of the pandemic.

To minimise disruption to business operations, Kawan continued to roll out its succession planning exercise, particularly for key positions. Furthermore, the Company launched an employee share option scheme (ESOS) to offer employees ownership interest in the business.

### 6.4. Grievance Policy

Employees at Kawan who feel any decision, behaviour or action affecting their employment is unfair, may lodge their grievance with their managers. This process is assured under Kawan's Grievance Policy which underlines the procedures and process of escalation to the appropriate level for investigation and resolution. Opportunity will be given to all parties involved to provide clarification to enable a clearer picture to which HR would facilitate toward resolution.



## Sustainability Statement

(cont'd)

### 6.5. Training, Development and Talent Management

At Kawan, it is the fundamentals of Kawan's talent management strategy to assist employees in realising their capability, charting their career pathway and achieving their potential. Using a performance management system, employees are provided with a framework to take ownership of their work, taking them from where they are currently, to where they wish to go in their careers.

Despite the challenges brought by the pandemic in FY2020, Kawan continued its strong emphasis on training and development activities for its employees in areas such as:

- Good research and laboratory practices
- Food safety, allergen, food handling, hygiene and critical control points
- Principles of manufacturing, such as GMP, lean manufacturing, inventory and waste management
- Regulatory aspects relating to food manufacturing and halal certification
- Business skill training, covering leadership, management, sales tactics and negotiation
- Employer's legislative responsibility for employment, audit, corporate liability and employees' minimum living standards

Simultaneously, Kawan seeks to attract and retain talent to ensure a sustainable growth by utilising various channels, including jobs portals for recruitment. In an effort to attract new talent, Kawan provides universities with opportunities in internship programmes. In FY2020, the Company accepted 28 interns from 8 Universities, a 65% increase in number of interns over FY2019.

### 6.6. Awards

Annually, Kawan celebrates the achievements and contribution of its staff qualifying for "Long Service Awards". In FY2020, 59 employees received their long service awards in recognition of their loyalty to the company, one of whom had served for 37 years at Kawan. This is a testimony of the conducive workplace environment at Kawan.

Tenure at Kawan (Years)	Qualifying Employees in FY2020
10 – 15	41
16 – 20	14
21 – 25	1
26 – 30	2
Above 30	1

### 6.7 Workforce Engagement

Aligning with the pandemic safety measures, staff engagement activities such as annual dinners and onsite teambuilding sessions had to be deferred. Instead, virtual platforms were extensively utilised to reach out to Kawan's employees to ensure key messages and announcements were cascaded to maintain engagement and motivation. A town hall was organised to brief employees on the implementation of the Company's employee share option scheme, its processes, entitlement and other related areas.

## Sustainability Statement

(cont'd)

### 7. OCCUPATIONAL HEALTH AND SAFETY (OHS)

#### 7.1. Health, Safety and Environment (HSE)

To ensure the health and safety of its employees, the Company continually reviews and enhances measures to further strengthen its existing Occupational Health and Safety Policy ("The Safety Policy") to cover its processes, operations and environment for the workforce and related stakeholders.

This Safety Policy is endorsed by the MD, with the Board having oversight on health and safety matters amongst employees. In addition, the Board works to provide resources to ensure employees understand and comply with such matters.

#### 7.2. HSE Committee

The HSE Committee is headed by the MD as the Advisor and assisted by the HSE Committee Chairman who is the Senior Factory Manager. This Committee convenes quarterly and submits a monthly report for review by the HSE Committee Chairman and the GMD.

#### 7.3. HSE Risks

Kawan endeavours to inculcate a strong safety conscious mindset throughout the organisation in order to reduce or avoid mishap at the workplace.

Kawan conducts quarterly assessments for higher risk areas which is deliberated at the Risk Management's Review Meeting and recorded in the Risk Register. Some of the key areas that are identified as higher risk areas are refrigeration, production, warehouse's Automated Storage and Retrieval System ("ASRS"). Various mitigation measures have been instituted, such as installing ammonia detectors for possible leaks. In addition, Kawan conducts various safety training, inspections, monitoring and reporting of all safety incidents.

A total of 21 mishaps were recorded in FY2020 compared to 19 in the previous year. Moving forward, more effort will be made to strengthen the mandatory safety induction course for new factory workers to familiarise them with the handling of machinery.

Kawan continued to implement OSH/HSE activities at the workplace, such as:

- Daily workplace inspections and walkabouts, with regular safety talks and toolbox briefings
- Emergency preparedness trainings for Emergency Response Team ("ERT"), including basic first aid, firefighting and use of automated external defibrillator
- Regular on-the-job training sessions on HSE competency and awareness
- Continuous safety awareness, audiometric test and assessments for noise risk and chemical health risk
- Specialised skill training for forklift operators



## Sustainability Statement

(cont'd)

### 7.4. Addressing COVID-19 Health and Safety Risks



Complying with the Government's Standard Operating Procedures ("SOPs") to curb the spread of Covid-19 infection, Kawan is proud to note of its employees' commitment to embrace the mandatory measures, not just for health reasons but in support of Kawan's business continuity, given its essential service listing by the Government to maintain operations during this period.

An internal Covid-19 Task Force was set up to focus on the potential impact of the pandemic on Kawan's operations and manage issues with appropriate mitigation plans in place. A crisis management training was provided to HODs with a Covid-19 awareness briefing for all employees. In addition, a video with inspirational messages was produced to motivate employees mentally against Covid-19.

Regular staff updates via chatgroups and emails on the evolving pandemic situation, mandated SOPs and general guidelines helped promote employees' awareness and understanding. This also helped to alleviate undue anxiety amongst employees.

Kawan aligns with regulatory accommodation requirements for its foreign workers. Hostel inspections are conducted by Kawan's HR every 15 days, in accordance with the Employee Accommodation Inspection Checklist/ Report. Corrective action is taken where needed to ensure it meets this stringent checklist.

The stringent measures instituted by the Government and by Kawan have contributed toward the wellbeing and safety of its employees.

## 8. COMMUNITY ENGAGEMENT

### 8.1. Engaging the Community

Over the years, Kawan has worked hard to instil in employees a spirit of caring and consideration for the less fortunate. By reaching out to deserving organisations and individuals to lend a helping hand as part of its CSR initiatives, employees have come to accept this altruistic behaviour not just as Kawan's corporate lifestyle, but as theirs as well.

Such a spirit is what led to the formation of a voluntary group called "Comm3". Headed by the Marketing Head together with Corporate Affairs, this group drove Kawan's CSR initiatives. In view of the ongoing pandemic and restriction on movements in FY2020, their efforts were focused on food donations to charity groups.





## Sustainability Statement

(cont'd)

Community initiatives undertaken in FY2020 are listed below:

No.	Beneficiary	Organisation/Home	Food Cartons
1.	Welfare homes/organisations, the destitute, refugee communities	Food Aid Foundation	542
2.	Old Folks Home	Puchong Old Folks Homes	367
3.	Unemployed Foreign Workers	Daily Bread Food Bank – Glad Tidings Church PJ	341
4.	Underprivileged Families	Sai Ananda Foundation Malaysia	19
5.		Pusat Penjagaan Orang Tua Sentosa	15
6.		Ti-Ratana Welfare Society	14
7.		Great Heart Community Centre	14
8.		Persatuan Kebajikan Istimewa Insan	14
9.		Restaurant Al Mubarak	11
10.		Pertubuhan Kebajikan Orang Tua and Kanak-kanak Cacat Shan Ai	10
11.		Family residing at 14, Jalan Anggerik 2C, Prima Beruntung, Bukit Beruntung Rawang, 48300 Selangor	6
12.		Family residing at 2, Lorong Sentul Bahagia 4, Kampung Sentul Pasar, 51100 Wilayah Persekutuan	6
13.		Pertiwi Soup Kitchen	4
14.		Yayasan Seribu Harapan Malaysia	4
		<b>TOTAL</b>	<b>1,367</b>

## 9. MOVING FOWARD

Despite the unprecedented challenges faced in FY2020, Kawan remains resilient and steadfast in reviewing its sustainability disclosures, identifying improvement opportunities and strengthening its overall approach to practicing sustainability, firmly upholding its EES framework.

Aligning with regulatory requirements and learning from best practice standards, Kawan integrates sustainability firmly into its business and operational strategies throughout all levels of the Company.

Working alongside its stakeholders, Kawan aspires to enrich lives, generate fulfilling employment, create strong business prospects and contribute back to the community. Kawan will continue to manage future challenges and capitalise on opportunities to strengthen its position as one of Malaysia's largest manufacturers and the leading exporter of frozen Asian food delicacies worldwide.

## BOARD OF DIRECTORS' PROFILES

### GAN THIAM CHAI

EXECUTIVE CHAIRMAN

NATIONALITY



GENDER

M

AGE

67



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

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

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

Mr. T.C. Gan is the husband of Mdm. Kwan Sok Kay, brother of Mr. Gan Thiam Hock and father of Mdm. Gan Ka Bien. He has no conflict of interest with the Company except that he is a substantial shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended all the six (6) Board Meetings held during the financial year ended 31 December 2020.

## Board Of Directors' Profiles

(cont'd)

### GAN THIAM HOCK

NON-INDEPENDENT  
EXECUTIVE DIRECTOR

NATIONALITY



GENDER

M

AGE

58



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

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

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

Mr. T.H. Gan is the brother of Mr. T.C. Gan and brother-in-law to Mdm. Kwan Sok Kay. He has no conflict of interests with the Company except that he is a substantial shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended all the six (6) Board Meetings held during the financial year ended 31 December 2020.



## Board Of Directors' Profiles

(cont'd)

### KWAN SOK KAY

NON-INDEPENDENT  
EXECUTIVE DIRECTOR

NATIONALITY



GENDER

F

AGE

66



**Kwan Sok Kay** ("Mdm. Kwan") was appointed to the Board on 1 June 2005.

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

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

Mdm. Kwan is the wife of Mr. T.C. Gan, sister-in-law of Mr. T.H. Gan and mother of Mdm. Gan Ka Bien. She has no conflict of interests with the Company except that she is a substantial shareholder of the Company. She has never been convicted for any offence within the past five (5) years. She attended all the six (6) Board Meetings held during the financial year ended 31 December 2020.

## Board Of Directors' Profiles

(cont'd)

**GAN KA BIEN**NON-INDEPENDENT  
EXECUTIVE DIRECTOR

NATIONALITY



GENDER

F

AGE

40



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

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

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

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

Mdm. K.B. Gan is the daughter of Mr. T.C. Gan and Mdm. Kwan. She has no conflict of interests with the Company. She has never been convicted for any offence within the past five (5) years. She attended one (1) Board Meeting held during the financial year ended 31 December 2020 since her appointment on 24 November 2020.

## Board Of Directors' Profiles

(cont'd)

### DR. NIK ISMAIL BIN NIK DAUD

SENIOR INDEPENDENT  
NON-EXECUTIVE DIRECTOR

NATIONALITY



GENDER

M

AGE

70



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

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

He began his career as a lecturer on various subjects including food quality and safety systems, food microbiology, food analysis, new product development, food legislation and operations management, management of biotechnology and entrepreneurship in science and technology for undergraduate and graduate levels in UKM in 1978. He has also conducted workshops for many food companies and government agencies on food technology and industry related topics since 1983. His industry experience includes holding positions in food companies. He was appointed as Managing Director of UKM Holdings Sdn Bhd in 2006 till 2014.

Dr. Nik had been a member of various committees including National HACCP and Audit Committee, Technical Advisory Committee on Malaysian Food Regulations, 1985, Technical Committee of the National Food Safety Council, Malaysia, Member of National Food Safety and Nutrition Council, Malaysia, National Codex Alimentarius Committee, Malaysia Standards ("MS") on Coffee, Beverages, Flour, Starches and Food Safety and a Member of the Industrial Standard of Food and Food Products. Currently he chairs the drafting of revised MS on coffee and coffee products.

Dr. Nik was the President of the Malaysian Institute of Food Technology for 18 years until 2014 and was also the former President of Federation of Institute Food Science and Technology, Association of South East Asian Nations (FIFSTA). He is a Fellow of International Academy of Food Science and Technology. He was appointed as the Independent Non-Executive Director of Bioalpha Holdings Berhad on 30 June 2011 and had retired from the board on 30 April 2020.

Dr. Nik does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended all the six (6) Board Meetings held during the financial year ended 31 December 2020.

## Board Of Directors' Profiles

(cont'd)

**ABDUL RAZAK  
BIN SHAKOR**NON-INDEPENDENT  
NON-EXECUTIVE DIRECTOR

NATIONALITY



GENDER

M

AGE

63



**Abdul Razak Bin Shakor** ("En. Abdul Razak") was appointed to the Board on 16 August 2016. He ceased as a member of the Nominating Committee of the Company on 24 November 2020.

En. Abdul Razak attended Institute Technology MARA, Malaysia, majoring in Insurance. He has obtained Certificate from Lloyd's of London, Chartered Insurance Institute (Cert. CII), United Kingdom ("UK") and Institute of Risk Management (Cert. IRM), UK and is a Fellow of the Malaysian Insurance Institute (FMII). He has more than thirty-eight (38) years extensive working experience in risk management, insurance and financial services sector in Malaysia and internationally. He has served in key regional management positions in South-East Asia and the Middle East and North Africa for multinational/international organisations. Currently, En. Abdul Razak is the Founder and Managing Director of Esperanza Management Advisors Sdn. Bhd., a Specialist Risk Management consulting services firm and Chairman of Alloy Insurance Brokers Sdn. Bhd., a Bank Negara licensed insurance, reinsurance and takaful insurance broking company.

En. Abdul Razak does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended all the six (6) Board Meetings held during the financial year ended 31 December 2020.



## Board Of Directors' Profiles

(cont'd)

### LIM HUN SOON @ DAVID LIM

INDEPENDENT  
NON-EXECUTIVE DIRECTOR

NATIONALITY



GENDER

M

AGE

65



**Lim Hun Soon @ David Lim** ("Mr. Lim") was appointed to the Board on 21 October 2015. He is the Chairman of the Audit Committee and a member of Remuneration Committee of the Company. He was also appointed as a member of the Nominating Committee of the Company on 24 November 2020.

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

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

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

Mr. Lim actively served as an examiner for Company Law examinations conducted by the MICPA for over a period of ten (10) years. He was the Chairman of the MICPA Code of Ethics Committee and a member of the MIA Code of Ethics Committee, both from 2002 to 2004. He retired from KPMG in 2011.

In 2013, he was appointed as Council member of The Institute of Chartered Accountants in England & Wales ("ICAEW"). This was the first time that ICAEW, in its illustrious history had granted Malaysia a seat in the Council. The position was for a term of two (2) years till 2015. He was reappointed for a further two terms till March 2019 (being the maximum permitted tenure).

Mr. Lim sits on the Board of several public listed companies, namely Ranhill Utilities Berhad (formerly known as Ranhill Holdings Berhad), Manulife Holdings Berhad and Press Metal Aluminium Holdings Berhad as an Independent Non-Executive Director. He also holds directorships in Manulife Insurance Berhad, Fairview Schools Berhad, Rockwills Trustee Bhd and Affin Investment Berhad (in Member's Voluntary Liquidation). Mr. Lim retired from Affin Hwang Investment Bank Berhad on 31 March 2021 after having served 9 years as Independent Non-Executive Director (maximum tenure permitted for Financial Institution). He was appointed as Independent Non-Executive Director of Public Investment Bank Berhad on 5 April 2021.

Mr. Lim does not have any family relationship with any Director and/or major shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended all the six (6) Board Meetings held during the financial year ended 31 December 2020.

## Board Of Directors' Profiles

(cont'd)

**EUGENE HON  
KAH WENG**NON-INDEPENDENT  
NON-EXECUTIVE DIRECTOR

NATIONALITY



GENDER

M

AGE

62



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

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

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

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

Mr. Eugene has also been appointed as an Independent Non-Executive Director of Affin Hwang Investment Bank Berhad on 1 March 2021.

Mr. Eugene does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended all the six (6) Board Meetings held during the financial year ended 31 December 2020.

## KEY MANAGEMENT'S PROFILES

### Ng Hooi Khai

GROUP CHIEF EXECUTIVE OFFICER



**Appointment to current position:** August 2020

**Qualifications:**

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

**Working Experience:**

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

### Chay Wai Yee

FINANCIAL CONTROLLER



**Appointment to current position:** June 2020

**Qualifications:**

- Chartered Accountant - Member of Malaysian Institute of Accountants
- Certified Practising Accountant - Member of CPA Australia

**Working Experience:**

- More than 25 years working experience in the areas of accounting, finance operations, tax compliance and planning and corporate finance. Prior to joining of the Group, she worked in various types of listed and private companies including manufacturing, property development and construction, trading, investment holdings and others.

### Khoo Boo Seng, Raymond

HEAD OF EXPORT



**Appointment to current position:** March 2017

**Qualifications:**

- SPM

**Working Experience:**

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

### Low Chiew Lan

HR & OPERATIONS MANAGER



**Appointment to current position:** March 2013

**Qualifications:**

- MCE Certificate
- LCCL Intermediate (Accounts)

**Working Experience:**

- More than 35 years experiences in the areas of accounting, human resource management and administration, having worked in public listed FMCG companies prior to joining the Group.
- She joined in February 2003 as HR Officer and was promoted to HR & Operations Manager in March 2010.

## Key Management's Profiles

(cont'd)

**Lim Heng Hee, Albert**

NATIONAL SALES MANAGER

**Appointment to current position:** January 2012**Qualifications:**

- Diploma in Diesel Engineering
- Diploma in Marketing
- LCCI Higher (Commercial Law)

**Working Experience:**

- More than 30 years of experiences in the areas of sales and marketing of FMCG products, having worked in trading and manufacturing companies.
- He was appointed as Sales Manager in April 2006 and subsequently promoted to National Sales Manager in 2012.

**Zhao Jian Jian**OPERATIONAL GENERAL MANAGER  
OF KAWAN FOOD (NANTONG) CO., LTD**Date of Appointment to current position:** August 2009**Qualifications:**

- Food Engineering specialty, Nanjing Agricultural University

**Working Experience:**

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

**Yan Wei Dong**GENERAL MANAGER OF KAWAN FOOD  
(NANTONG) CO., LTD**Date of Appointment to current position:** March 2012**Qualifications:**

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

**Working experience:**

- More than 20 years of experiences in the areas of marketing, sales and business development in the FMCG multi-national companies prior to joining the Group.
- He joined Kawan in March 2012 as General Manager of Kawan Food Nantong.

**Additional notes on the above key senior management**

None of the above key senior management has any:

- (i) directorship in public companies and listed issuers;
- (ii) family relationship with any director and/or major shareholder of the Company;
- (iii) conflict of interests with the Company; and
- (iv) conviction for offences within the past five (5) years, and public sanction or penalty imposed by the relevant regulatory bodies on him or her during the financial year ended 31 December 2020, which require disclosure pursuant to paragraph 4A(g) of Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of Kawan Food Berhad (“Kawan” or “the Company”) advocates the principles of good corporate governance. Throughout the financial year ended 31 December 2020 (“FY2020”), the Board and the Company continue to enhance its corporate governance processes to ensure that the Company and its subsidiaries (“the Group”) are aligned with best practices.

The Corporate Governance Overview Statement (“CG Overview Statement”) explains how the Company has applied the following three (3) key principles set out in the Malaysian Code on Corporate Governance (“MCCG”) during the FY2020:

<b>Principle A</b>	<b>Board Leadership and Effectiveness</b>
<b>Principle B</b>	<b>Effective Audit and Risk Management</b>
<b>Principle C</b>	<b>Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders</b>

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

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### Board Responsibilities

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

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

## Corporate Governance Overview Statement

(cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

## Governance structure

**The Board**

The Board is responsible to promote long term sustainable success and generate value for shareholders and stakeholders

**Board Committees**

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

**Audit Committee ("AC")**Responsibilities:

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

**Nominating Committee ("NC")**Responsibilities:

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

**Remuneration Committee ("RC")**Responsibilities:

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

**Group Managing Director ("GMD")/Group Chief Executive Officer ("GCEO")****Group Management Team****Board Activities in FY2020**

- Considered impact of Corona Virus ("COVID-19") and received updates on the revised plan for FY2020 in light of COVID-19;
- Received reports and updates from the GMD and/or GCEO on operational and financial performance of the Group and other key matters;
- Approved the Revised Financial Budget and Capex Budget for FY2020;
- Deliberated and approved the Group's financial budget for financial year ending 2021;
- Approved the Company's full year and interim results;
- Approved the proposed interim single-tier dividend;
- Discussed updates on corporate governance and regulatory matters;
- Received updates from the Chair of the AC on its oversight of financial performance, related party transactions, internal controls, risks and management on the work undertaken by each committee;
- Discussed and approved the appointment of the Executive Director and GCEO;
- Approved the Anti-Bribery and Anti-Corruption Policy ("ABC Policy") and revised Whistleblowing Policy deleted closed Board charter;
- Received updates on Kawan's Industry 4.0 strategy, Enterprise Resource Planning system, Renewable Energy Solar Photovoltaics System, water treatment system and Automated Retrieval System; and
- Considered and recommended the proposed authority for the Company to purchase its own ordinary shares for shareholders' approval.

## Corporate Governance Overview Statement (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### Division of responsibilities

The details of Board's responsibilities are set out in the Board Charter which are available online at [www.kawanfood.com](http://www.kawanfood.com).

Executive Chairman	The roles of the Chairman and GMD/GCEO are separate and distinct. There is a clear division of responsibilities between the two roles. The Chairman is responsible for providing leadership and instilling good corporate governance and effectiveness of the Board.
Executive Directors ("EDs")	The EDs are responsible for day-to-day management of the business operations.
GMD/GCEO	The GMD/GCEO is primarily responsible for the day-to-day management of the Group's business within a set of authorities, Group's strategies, policies and business plans approved and delegated by the Board.
Senior Independent Non-Executive Director ("SINED")	The SINED acts as a sounding board for the Chairman and to serve as an intermediary for other directors when necessary. He is also the point of contact for major shareholders and other stakeholders as well as a liaison for whistleblowing.
Independent Non-Executive Directors ("INEDs")	The INEDs are responsible for providing insights, unbiased and independent views, advice and judgement to the Board and to ensure effective checks and balances on the Board. The INEDs are essential for protecting the interest of shareholders, in particular minority shareholders, and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.
Non-Independent Non-Executive Directors ("NINEDs")	The NINEDs utilise their skills, expertise and experience to contribute to the development of the Group as a whole.

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

#### Code of Conduct and Ethics, ABC Policy and Whistleblowing Policy

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

In FY2020, the Board also reviewed and approved the ABC Policy to manage risk in relation to fraud, bribery and corruption practices. Additionally, Whistleblowing Policy was revised to provide avenues for employees and other stakeholders to disclose concerns relating to violations or improper conduct or wrongdoings or non-compliance with legal and regulations requirements within the Group.

The CoCE, Whistleblowing Policy and ABC Policy are available at the Company's website at [www.kawanfood.com](http://www.kawanfood.com).

#### Time Commitment

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

## Corporate Governance Overview Statement

(cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### Time Commitment (continued)

The attendance of the Directors at Board and its Committee meetings for FY2020 are as follows:

Member(s)	Board	AC	NC	RC
<b>Gan Thiam Chai</b> Executive Chairman	6/6			
<b>Timothy Tan Heng Han<sup>##</sup></b> Group Managing Director	6/6			
<b>Gan Thiam Hock</b> Executive Director	6/6			
<b>Kwan Sok Kay</b> Executive Director	6/6			
<b>Gan Ka Bien<sup>**</sup></b> Executive Director	1/1			
<b>Dr. Nik Ismail Bin Nik Daud</b> Senior Independent Non-Executive Director	6/6	5/5	6/6	1/1
<b>Lim Hun Soon @ David Lim<sup>^</sup></b> Independent Non-Executive Director	6/6	5/5		1/1
<b>Eugene Hon Kah Weng</b> Independent Non-Executive Director	6/6	5/5	6/6	1/1
<b>Abdul Razak Bin Shakor<sup>@</sup></b> Non-Independent Non-Executive Director	6/6		6/6	
<b>Nareshchandra Gordhandas Nagrecha<sup>*</sup></b> Non-Independent Non-Executive Director	3/3			

<sup>##</sup> resigned as GMD on 1 January 2021

<sup>\*\*</sup> appointed as Executive Director on 24 November 2020

<sup>@</sup> ceased as NC member on 24 November 2020

<sup>^</sup> appointed as NC member on 24 November 2020

<sup>\*</sup> retired as Non-Independent Non-Executive Director on 19 June 2020

#### Board Training and Development

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

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



## Corporate Governance Overview Statement

(cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### Board Training and Development (continued)

The Directors of the Company had attended the following training programmes, workshops, briefing and seminars during FY2020:

Directors	Courses/Seminar/Conference
<b>Gan Thiam Chai</b>	<ul style="list-style-type: none"> <li>Webinar on Corporate Liability and Major Corruption Offences</li> <li>Leadership Excellence From the Chair</li> </ul>
<b>Timothy Tan Heng Han</b>	<ul style="list-style-type: none"> <li>Webinar on Corporate Liability and Major Corruption Offences</li> </ul>
<b>Gan Thiam Hock</b>	<ul style="list-style-type: none"> <li>Webinar on Corporate Liability and Major Corruption Offences</li> </ul>
<b>Kwan Sok Kay</b>	<ul style="list-style-type: none"> <li>Webinar on Corporate Liability and Major Corruption Offences</li> </ul>
<b>Gan Ka Bien</b>	<ul style="list-style-type: none"> <li>Webinar on Corporate Liability and Major Corruption Offences</li> <li>Mandatory Accreditation Programme (31 March 2021-2 April 2021)</li> </ul>
<b>Dr. Nik Ismail Bin Nik Daud</b>	<ul style="list-style-type: none"> <li>Webinar on Corporate Liability</li> <li>KPMG Webinar Series - Audit Committee Institute Virtual Roundtable 2020</li> <li>IUFoST, UNIDO and PARERA Partnership – Webinar on Supporting The Resilience of The Food Production Sector and Limiting Food Supply Disruption</li> <li>Webinar on Post Covid-Financial Risk: Forum with Risk and Compliance Practitioners</li> <li>Webinar on ACB Act 2018, Section 17A: Protecting You And Your Business With T.R.U.S.T</li> <li>Webinar on Demystifying Future of Work</li> </ul>
<b>Lim Hun Soon @ David Lim</b>	<ul style="list-style-type: none"> <li>Webinar on Covid-19 &amp; Current Economic Reality: Implications for Financial Stability</li> <li>Webinar on Outthink the Competition: Excelling in a Post Covid 19 World</li> <li>Webinar on 3rd Distinguished Board Leadership Series – “Challenging Times: What Role Must the Board Play”</li> <li>Webinar on Raising Defences – Section 17A, MACC Act</li> <li>Webinar on 4th Distinguished Board Leadership Series</li> <li>IFRS 17 Insurance Contracts</li> <li>Webinar on Tech Faculty Lecture 2020: AI Through the looking glass</li> <li>Webinar on Climate Action: The Board’s Leadership in Greening the Financial Sector</li> <li>Webinar on Green Fintech: Ping An’s journey to becoming a top ESG performing FI</li> <li>Webinar on PwC Malaysia’s Budget 2021 Webinar: Paving the way towards as resilient future</li> </ul>
<b>Eugene Hon Kah Weng</b>	<ul style="list-style-type: none"> <li>Webinar on Restructuring in Time of Crisis - Episode 1</li> <li>Webinar on The Future of AGMs - Fully Virtual/Hybrid</li> <li>Webinar on COVID19 Impact on Accounting and Internal Controls</li> <li>Webinar on Outthink the Competition: Excelling in a Post COVID19 World</li> <li>KPMG Webinar Series - Audit Committee Institute Virtual Roundtable 2020</li> <li>Webinar on Tax Implications on Debt Restructuring</li> <li>Webinar on Integrated Reporting - Impact of COVID19 on Value Creation</li> <li>FIDE Forum Invitation - Digital Financial Institutions Series: Fidor’s Experience</li> <li>Training on Convene App for Samsung Tab</li> <li>Webinar on Tax Budget</li> </ul>

## Corporate Governance Overview Statement

(cont'd)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

## Board Training and Development (continued)

Directors	Courses/Seminar/Conference
<b>Abdul Razak Bin Shakor</b>	<ul style="list-style-type: none"> <li>Webinar Live – International FAROSOL Trade Credit Conference</li> <li>Esperanza Business Webinar – The Post Pandemic Challenges for Project Development in Malaysia</li> <li>Esperanza Live Webinar – Post COVID Financial Risk: Forum with Risk and Compliance Practitioners</li> <li>Heron Talent Management Business Live Webinar Presentation to (PERWAKIM members) – Challenges to Insurance Agents: The Next Decade</li> <li>Heron Talent Management Live Webinar – Agency Insurance Business: Enhancing Sales</li> <li>SP&amp;G Gallaghers Insurance Brokers Sdn Bhd – Webinar on Building A Quality Team (BQT) Training Programme</li> </ul>

NC

## Members

No.	Name	Designation	Membership
1	Eugene Hon Kah Weng	Independent Non-Executive Director	Chairman
2	Dr. Nik Ismail Bin Nik Daud	Senior Independent Non-Executive Director	Member
3	Lim Hun Soon @ David Lim * appointed on 24 November 2020	Independent Non-Executive Director	Member
4	Abdul Razak Bin Shakor * ceased as member on 24 November 2020	Non-Independent Non-Executive Director	Member

## Roles:

- Oversee the Board appointment process including the nomination and selection of directors and key management of Kawan.
- Recommend new directors nomination to the Board and key management of Kawan.
- Review Board training programmes.
- Assess the performance and effectiveness of individual Directors, Board and Board Committees.
- Assess and review the Board composition (ie. size, experience, diversity etc) and structure of Kawan.

## NC Activities in FY2020

- Reviewed performance and effectiveness of the Board and Board Committees as well as contribution of each Director to the Board and Board Committees FY2020.
- Reviewed the succession planning.
- Reviewed the directors' retirement by rotation at the sixteenth ("16th") Annual General Meeting ("AGM") of the Company held on 19 June 2020.
- Assessed and recommended to the Board the appointment of Gan Ka Bien as Non-Independent Executive Director of Kawan.
- Reviewed the Board Composition of Kawan.
- Recommended the appointment and changes of Board Committee members for the Board's approval.
- Assessed and recommended to the Board the appointment of GCEO and Financial Controller of Kawan.
- Assessed directors' needs for training.
- Reviewed and recommended the revised organisation chart for the Board's approval.

## Corporate Governance Overview Statement

(cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### Board Composition and Diversity

As at 31 December 2020, the Board comprises nine (9) Directors (including the appointment of an additional one (1) Executive Director and retirement of one (1) Non-Independent Non-Executive Director) : one (1) Group Executive Chairman, four (3) Executive Directors, one (1) Senior Independent Non-Executive Director, two (2) Independent Non-Executive Directors and one (2) Non-Independent Non-Executive Director. Of the nine (9) Directors, two (2) were women. Details of the Directors can be found on pages 45 to 52 of this annual report.

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

The NC reviewed the Board and Board Committee composition in FY2020 on an annual basis. On 24 November 2020, Gan Ka Bien was appointed on board which increased the gender diversity in Kawan from 10% in FY2019 to 22% in FY2020. The composition of the Board comprises an appropriate balance of representation from relevant key areas that supports the sustainability efforts in the business taking into consideration the complexity and nature of the Group's businesses.

#### Changes to Composition of Board and Board Committees

Throughout the year, there are several changes to the Board and Board Committees composition as follows:

- Resignation of Timothy Tan Heng Han as GMD on 1 January 2021.
- Appointment of Gan Ka Bien as Director of Kawan on 24 November 2020.
- Appointment of Lim Hun Soon @ David Lim as a member of NC on 24 November 2020.
- Abdul Razak Bin Shakor ceased as a member of NC on 24 November 2020.
- Retirement on Nareshchandra Gordhandas Nagrecha as Director at the 16th AGM.

#### Board Evaluation and Independence

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

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

Following the FY2020 Board evaluation, the Board is satisfied that the Non-Executive Directors ("NEDs") are independent to discharge their duties and responsibilities effectively.

#### RC

##### Members

No.	Name	Designation	Membership
1	Dr. Nik Ismail Bin Nik Daud	Senior Independent Non-Executive Director	Chairman
2	Lim Hun Soon @ David Lim	Independent Non-Executive Director	Member
3	Eugene Hon Kah Weng	Independent Non-Executive Director	Member

## Corporate Governance Overview Statement

(cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### Roles:

- Assess, review and recommend to the Board the remuneration packages of Directors, GCEO and Key Senior Management.
- Review and approve performance measures for incentive plans recommended by Management.
- Assess the performance and recommend to the Board for approval the total remuneration packages of GCEO, EDs, NEDs and Key Senior Management.

#### Remuneration packages

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

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

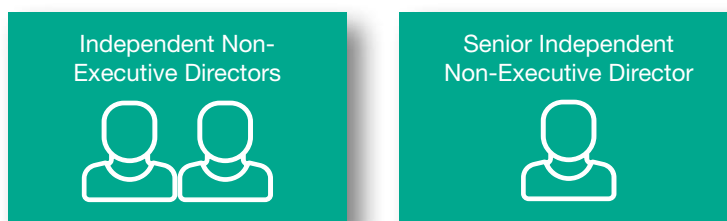
The interested Directors abstained from deliberation and voting on their own remuneration at the Board meetings.

#### RC activities in FY2020:

- Reviewed Company bonus payment and salary increment.
- Reviewed and recommended the remuneration of EDs and NEDs to the Board for approval.
- Reviewed and recommended to the Board the remuneration package of GMD.

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### AC



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

The TOR of the AC requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.

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



## Corporate Governance Overview Statement (cont'd)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

#### AC (continued)

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

- Technical competencies
- Independence and objectivity
- Audit scope and planning
- Adequacy of technical support
- Time commitment
- Audit and non-audit fees

The details on the roles of the AC are set out on AC report on pages 65 to 67 of the annual report.

#### Sound Risk Management and Internal Control

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

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

The Group has outsourced the Internal Audit function to a professional service firm which is independent of the activities and operations of the Group. The outsourced internal auditors reports directly to the AC. The Internal Audit function is primarily responsible in assessing and improving the effectiveness of the risk management, internal control systems and governance processes within the Group.

The statement on Risk Management and Internal Control set out on pages 69 to 79 of this Annual Report provides a detailed description of the state of risk management and internal controls.

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### Communications with Stakeholders

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

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

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

## Corporate Governance Overview Statement

(cont'd)

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

#### General Meetings

Kawan 16th AGM is the first AGM conducted through live streaming and online remote participation by using Remote Participation and Voting Facilities ("RPV") due to COVID-19 movement restriction order, which is in compliance with Section 327(2) of the Companies Act 2016. The virtual AGM provides an avenue for the shareholders to seek clarification and insights into the operations and financial performance of the Group. The Chairman took the chair of the AGM and the GMD gave a presentation to the shareholders covering the Group's business and financial highlights for FY2019 and market outlook.

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

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

This Statement was approved by the Board on 15 April 2021.

# AUDIT COMMITTEE REPORT

## COMPOSITION

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

No.	Name	Designation	Membership
1	Lim Hun Soon @ David Lim*	Independent Non-Executive Director	Chairman
2	Dr. Nik Ismail Bin Nik Daud	Senior Independent Non-Executive Director	Member
3	Eugene Hon Kah Weng*	Independent Non-Executive Director	Member

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

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

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

Further details of the AC members’ experience and qualification are disclosed in Directors’ profiles available on pages 45 to 52 of the Annual Report.

## TERMS OF REFERENCE

The role, scope and responsibilities of the AC are set out in its terms of reference which is published on the Company’s website at [www.kawanfood.com](http://www.kawanfood.com).

## MEETINGS

The AC held a total of five (5) meetings during the financial year ended 31 December 2020 (“FY2020”) and the details of meeting attendance are as follows:

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

The Group Managing Director (“GMD”), Group Chief Executive Officer (“GCEO”), Company Secretaries, Financial Controller, Group Accountant, Corporate Affairs Manager and other Management were invited to attend the meetings to present their reports and updates on key areas of the business as appropriate. The internal auditors and external auditors also attended all the AC meetings upon invitation to provide updates and developments on issues arising from the audit reports. The AC Chairman thereafter reported the AC’s recommendations to the Board for their consideration. He also updated the Board on significant matters discussed during the AC meetings.

Discussions and deliberation at the AC meetings are recorded in the minutes of the AC meetings. Minutes of the AC meetings were provided to members of the Board.

## Audit Committee Report

(cont'd)

### SUMMARY OF ACTIVITIES IN FY2020

#### Financial Reporting

- Reviewed quarterly unaudited financial results and the draft announcements before recommending them for Board's approval;
- Reviewed the audited financial statements of the Group to ensure that the financial statements were prepared in compliance with Malaysian Financial Reporting Standard (MFRS) prior to the approval by the Board; and
- Considered the implications of COVID-19 on the financial statements. The AC also reviewed the appropriateness of estimates and judgements made in the preparation of the financial statements.

#### External Audit

- Reviewed and approved the external auditors' audit plan including the audit approach, scope, and risk assessments of external auditors;
- Had two (2) meetings with the external auditors without the presence of the GMD, GCEO and Management to discuss relevant issues and concerns arising from the audit;
- Reviewed the appointment of external auditors, taking into consideration their competencies, commitments, independence and objectivity prior to recommending their reappointment to the Board for approval; and
- Reviewed and recommended for Board's approval the provision of non-audit services and respective fees by the external auditors.

#### Internal Audit ("IA")

- Reviewed and approved the annual internal audit plan for FY2020 and assessed the adequacy of resources as well as skills and competencies of the internal auditors to ensure the internal auditors ("IA") carry out its function effectively;
- Reviewed the internal control issues identified by IA management responses to audit recommendations and implementation of the action plans;
- Monitored the status of outstanding audit findings on a quarterly basis and deliberated on the timelines to ensure prompt resolution of the findings;
- Met with internal auditor without the presence of GMD, GCEO and Management to discuss relevant issues and concerns arising from the audits; and
- Evaluated the independence, efficiency and effectiveness of the internal auditors.

#### Risk Management and Internal Control

- Monitored and reviewed, on an ongoing basis, the effectiveness of the Group's internal control and risk management systems; and
- Reviewed and deliberated the updated risk management reports of the Group on principal risks and key findings.



## Audit Committee Report (cont'd)

### SUMMARY OF ACTIVITIES IN FY2020 (CONTINUED)

#### Related Party Transactions (RPTs)

- Reviewed and deliberated on RPTs, recurring RPTs and potential conflict of interest that may arise;
- Reviewed all RPTs on quarterly basis to ensure RPTs were carried out on an arm's length basis and were in the best interest of the Company; and
- Reviewed and recommended for the Board's approval, the Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for recurrent related party transactions of revenue or trading nature.

#### Other Matters

- Deliberated with project manager in charge of Industry 4.0 projects on automation and digitalisation initiatives;
- Continue to monitor the progress of Enterprise Resource Planning system implementation;
- Reviewed and recommended for the Board's approval on the Anti Bribery and Anti-Corruption Policy and its procedures in the Group;
- Reviewed and recommended for the Board's approval on the revised Code of Conduct and Ethics, Board Charter and Whistleblowing Policy across the Group;
- Reviewed and recommended for the Board's approval, the Corporate Governance Overview Statement, AC Report, Management Discussion and Analysis, Sustainability Statement and Statement on Risk Management and Internal Control for the inclusion in Annual Report FY2020; and
- Reviewed and recommended for the Board's approval, the Circular to Shareholders in relation to the proposed renewal of authority for the Company to purchase its own ordinary shares.

### INTERNAL AUDIT FUNCTION

The Group IA function of Kawan is outsourced to Tricor Axcelasia Sdn Bhd (*f.k.a Axcelasia Columbus Sdn Bhd*) to provide independent and objective assurance on the adequacy, efficiency and effectiveness of internal controls.

The internal audit engagement is currently headed by Mr. Joe Lee Yaw Joo ("Mr. Joe") who has 20 years of experience in external and internal audit advisory, risk management, governance, financial management, business process enhancement, transformation and cost savings services. Mr. Joe is a Certified Internal Auditor (USA) and holds a certification in Supply Management (USA). He is also a Chartered Accountant, Member of the Malaysian Institute of Accountant and a member of MICPA. The internal audit engagements were carried out by four (4) to five (5) staff. The staff who performed the IA reviews have professional qualifications and/or university degree. Some are members of the Institute of Internal Auditors Malaysia. They are free from any relationships or conflict of interest, which could impair their objectivity and independence.

During the FY2020, the internal auditor carried out its duties based on the audit plan approved by the AC covering health, safety and environment, maintenance management, quality control management, halal certification management, supply chain management policies & procedures reviews, credit control and collection, strategic planning and strategy annual planning framework. The internal audit engagements were carried out using a risk-based approach and guidance from the International Professional Practice Framework. The IA findings in the internal audit reports were reviewed by the AC.

The total costs incurred for outsourcing the internal audit function of Kawan for the FY2020 was RM105,000.

Further details of the IA functions are set out in the Statement on Risk Management and Internal Control on pages 69 to 79 of this Annual Report.

## ADDITIONAL COMPLIANCE INFORMATION

Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad

### MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest which were still subsisting as at the end of the financial year ended or which were entered into since the end of the previous financial year (not being contracts entered into in the ordinary course of business) except as disclosed below and in Notes 35 to the financial statements under "Related Parties" on pages 153 to 154 of this Annual Report.

### AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2020, the amount of audit and non-audit fees paid and payable by the Company and the Group to the external auditors are as follows:

	Group (RM)	Company (RM)
Audit services rendered	275,506	48,000
Non-audit services rendered	7,000	7,000
<b>Total</b>	<b>282,506</b>	<b>55,000</b>

### UTILISATION OF PROCEEDS

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2020.

### RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

At the Sixteenth Annual General Meeting ("AGM") held on Friday, 19 June 2020, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature. The disclosure of the recurrent related party transactions conducted during the financial year ended 31 December 2020 is set out on page 153 of the Annual Report.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors (“The Board”) is pleased to present the Statement on Risk Management and Internal Control of Kawan Food Berhad (“the Company”) and its subsidiaries (“the Group”) which outlines the nature and scope of its risk management and internal control of the Group for the financial year ended 31 December 2020. This statement has been prepared pursuant to paragraph 15.26 (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements and by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and Malaysian Code of Corporate Governance (“MCCG”).

## BOARD’S RESPONSIBILITIES

The Board acknowledges their overall responsibilities in establishing and maintaining an effective risk management and internal control systems. Hence, the Board has put in place an ongoing process for reviewing its adequacy and integrity in order to safeguard shareholders’ investment and the Group’s assets.

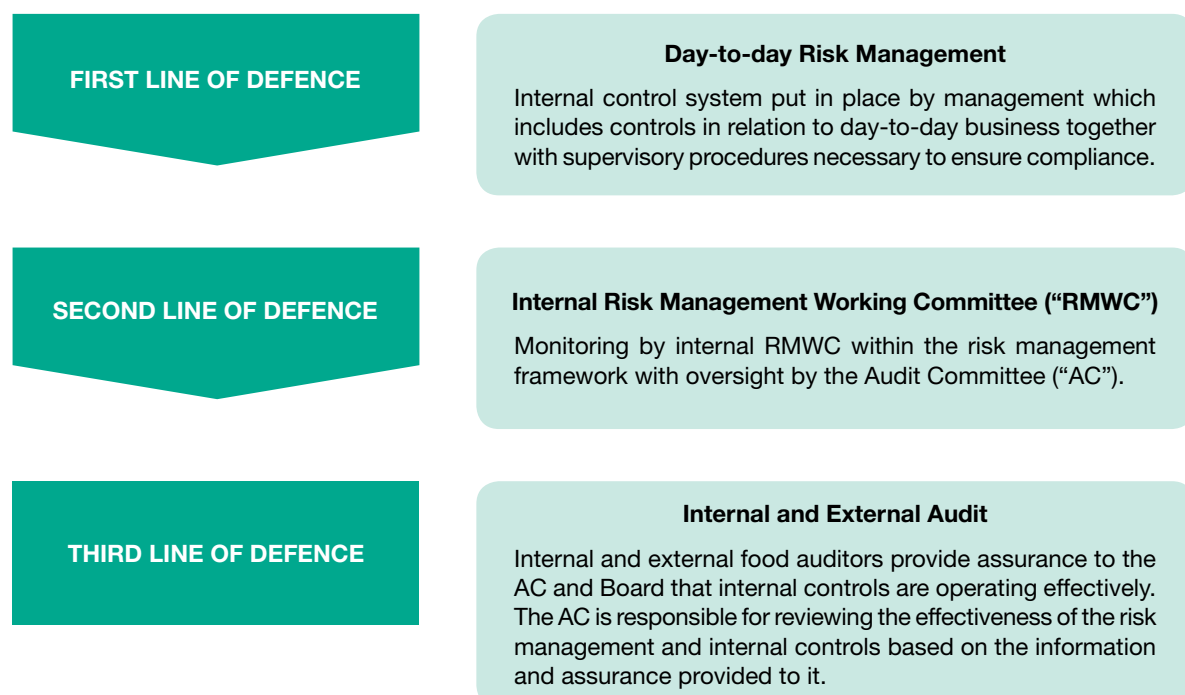
As there are inherent limitations in any risk management and internal control systems, the systems are designed to manage rather than eliminate risks of failure to achieve its objectives and strategies. Therefore, the risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group’s risk management and internal control systems do not apply to jointly controlled companies as the Group does not exercise management control over these entities. However, the Group’s interest in these entities are served through representation on the jointly controlled companies on the Board.

## KEY FEATURES OF THE GROUP’S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

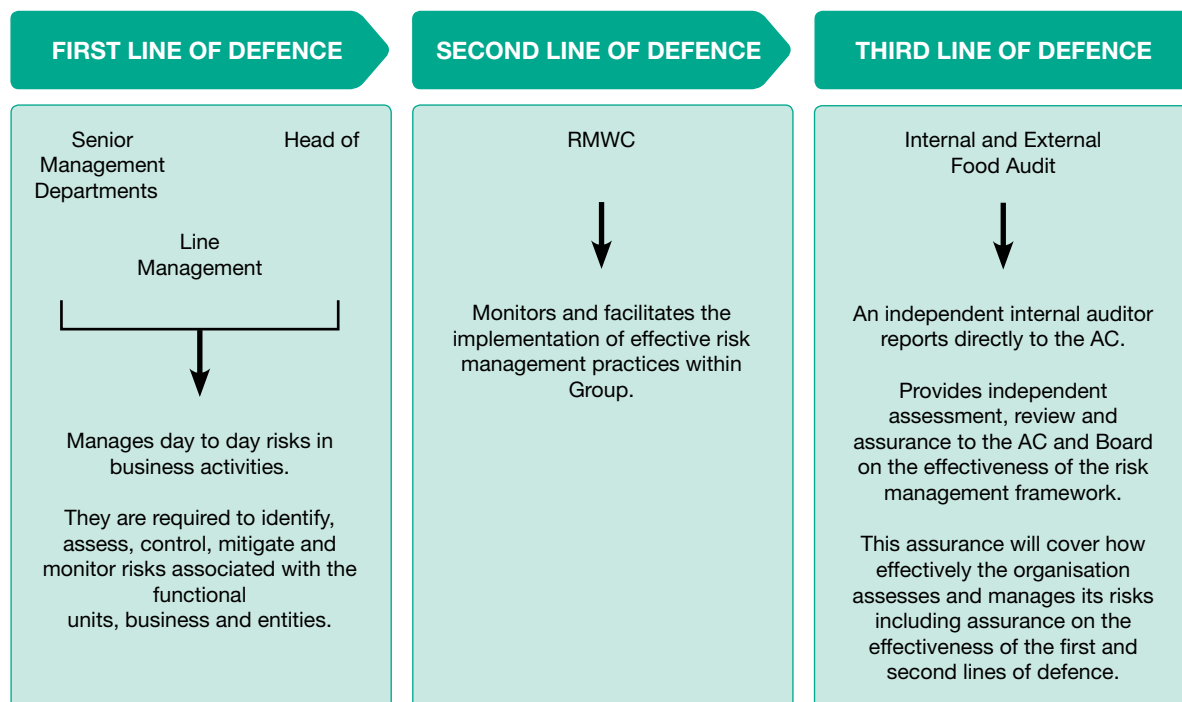
### 1. RISK MANAGEMENT

The Board has established a structured risk management framework to identify, measure, control, report and monitor key risks faced by the Group. The Group adopts the three lines of defence in managing its risk:



## Statement on Risk Management and Internal Control (cont'd)

### 1. RISK MANAGEMENT (CONTINUED)



#### Risk Culture

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

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

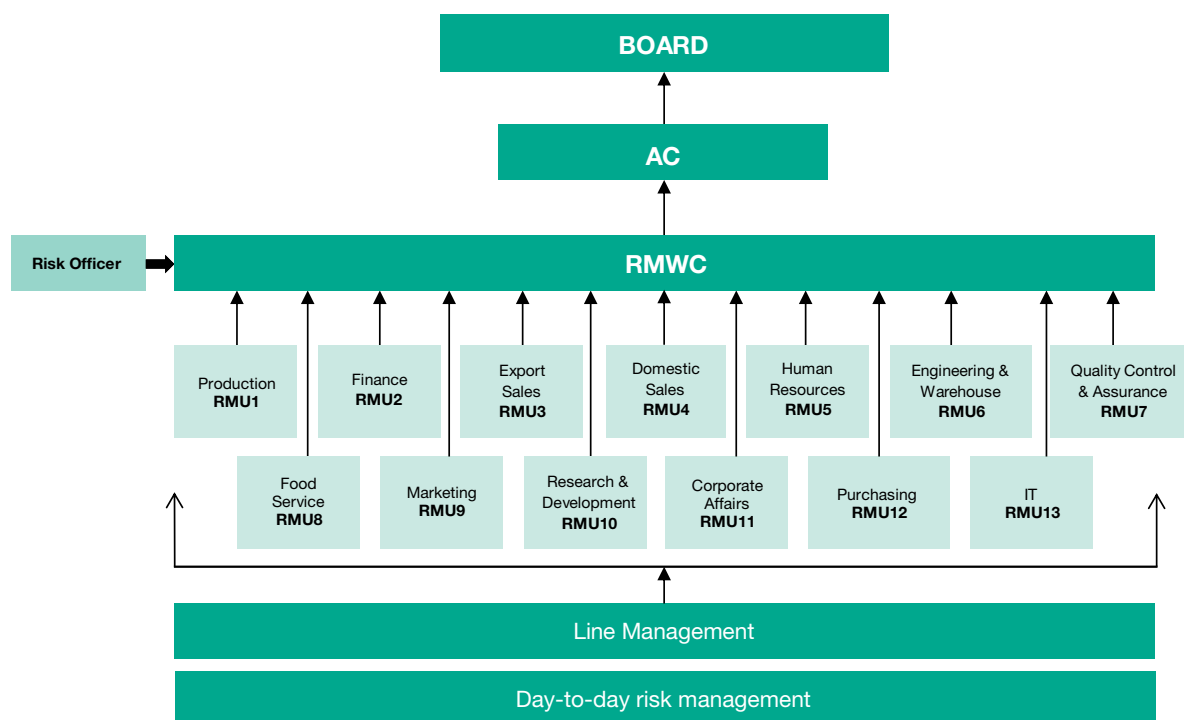


## Statement on Risk Management and Internal Control (cont'd)

### 1. RISK MANAGEMENT (CONTINUED)

#### Risk Governance Structure

The internal parties involved in the risk management process comprise the following:



The roles and responsibilities of the various parties are as follows:

#### BOARD

The Board is responsible for reviewing the Group's risk management system. The Board sets the tone and culture towards an effective risk management system by identifying and monitoring material risks, setting risk appetites and determining risk of the Group.

The Board delegates its roles and responsibilities to the AC through the Terms of Reference ("TOR") of the AC. The TOR of the AC is available in the Group's website.

## Statement on Risk Management and Internal Control

(cont'd)

### 1. RISK MANAGEMENT (CONTINUED)

#### AC

Under the delegation of powers and responsibilities from the Board, the AC monitors the Group's risk management system and oversees the effectiveness of the processes. The AC plays a pivotal role in providing oversight of the risk management undertaken by the Group.

The AC meets quarterly with the Risk Officer who provides the AC with Group's risk management reports on the Risk Management Working Committee ("RMWC") findings on key risks, mitigating controls together with updates on progress of the status of risk management in the Group.

The AC monitors the processes, reviews the risk reports and summaries of key matters to the Board every quarter.

In discharging its duties, the AC is assisted by RMWC.

#### RMWC

The RMWC comprises heads of departments and is chaired by the Group Managing Director. The RMWC reports directly to the AC.

The roles of RMWC include: -

- Implement the Board's approved framework, policies and procedures on risk management and internal control;
- Identify, evaluate, monitor and report risk relevant to the business; and
- Identify changes to risks or emerging risks, take actions as appropriate, and raise these to the attention of the Board.

The RMWC maintains a risk register which set out the description, causes, impact, risk level, existing controls and action plan of the material risks faced by each department and the Group as a whole. The risks are prioritised in accordance with the risks level in terms of likelihood and impact based on the risk management policy.

The risk register is then used to facilitate the identification and assessment of material risks in each department and the Group as well as to ensure that there are appropriate controls in place. Please refer to summary of the Group's material risks in Table 1.0 below.

The RMWC meet on a quarterly basis to review the effectiveness of the current risk management processes and deliberate on the risk assessments. The risk profile and the progress of action plans taken to mitigate such risks are updated during the RMWC's meetings. The RMWC also raises issues of concerns as well as monitors the progress and status of risk management activities. The RMWC continues to seek improvements in the risk management by sharing information and best practices among the committee members.

The appointed Risk Officer will then present the risk management report highlighting key risks to the AC and alerted risk related matters which requires AC's attention and guidance.

## Statement on Risk Management and Internal Control (cont'd)

### 1. RISK MANAGEMENT (CONTINUED)

#### RISK MANAGEMENT UNIT ("RMU")

The RMU is established at departmental level. Each of the RMU performs risk assessments to identify, evaluate and manage the identified risks. The respective heads are responsible to assess changes to the level of risk, emerging risks and thus, take appropriate actions to manage such risks.

#### LINE MANAGEMENT

The managers assist risk owners in identifying, measuring, controlling, monitoring and reporting all relevant material risks associated within their respective department.

#### Risk Assessment Process

The Group's Risk Assessment Framework are set out as follows:

Risk identification
<ul style="list-style-type: none"> <li>Understand the key processes in business activities to identify various risk.</li> <li>Identify emerging risks or any changes that affect the existing risks faced by each department and the Group as a whole.</li> </ul>
Risk analysis
<ul style="list-style-type: none"> <li>Determine the causes, likelihood of occurrence and impact of these risks.</li> <li>The likelihood and impact of these risks are assessed using risk matrix.</li> </ul>
Risk evaluation & response
<ul style="list-style-type: none"> <li>Determine the significance of these risks and evaluate the risk level – High, Significant, Moderate and Low.</li> <li>Implement appropriate controls/action plans to mitigate and minimise risk exposures.</li> </ul>
Risk monitoring and review
<ul style="list-style-type: none"> <li>Continuously monitor the identified risks and the effectiveness of risk controls in place.</li> <li>Follow up and deliberate mitigations to minimise risk exposure at the RMWC meetings.</li> <li>Present quarterly risk reports to AC and Board.</li> <li>Highlight changes or movements in the risk levels.</li> </ul>

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

During FY2020, the RMWC met on a quarterly basis to deliberate on the risk assessments. The risk register is continuously reviewed and updated every quarter. The appointed Risk Officer then provides the AC with the Group Risk Management Reports at its scheduled meetings.

The AC deliberated on the material risks identified on a quarterly basis and the AC Chairman subsequently updated the Board on the proceedings and updates from RMWC.

## Statement on Risk Management and Internal Control

(cont'd)

### 2. MATERIAL RISKS

Table 1.0 presents a summary of the Group's material risks and the mitigating measures for the FY2020.

**Table 1.0**

RISK	DESCRIPTION	MITIGATION
<b>Regulatory and Standard</b>	<ul style="list-style-type: none"> <li>The Group is subject to various legislations and standards</li> <li>Failure to meet statutory requirements, Halal, British Retail Consortium ("BRC"), MOH MS1480 HACCP certification and Occupational Safety and Health Administration could have an adverse impact on the Group's business and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Regular internal auditing by Food Safety Committee and Halal Committee</li> <li>Constant monitoring and updating committee members on the latest updates and development on respective regulations and standards/certifications</li> <li>Monitoring suppliers' performance to ensure compliances on a regular basis</li> <li>Training for committee members</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>The success and future growth of the Group depends on the ability of attracting and retaining competent employees with the right talents and attitudes</li> <li>Failure to attract and retain employees in meeting future business needs could have a material adverse effect on our business</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing the career development plan to identify competency requirements across the Group and equip employees with necessary skills via trainings</li> <li>Participated in Social Security Organisation (SOC SO)'s online job fair and Government's Penjana Program as our commitment to nurture talent</li> </ul>
<b>Information Technology and Cyber Risk</b>	<ul style="list-style-type: none"> <li>The Group may be exposed to cyber threats risk of an authorised access, malware, security breach, viruses and loss of information</li> <li>Potential loss of confidential information, arising from cyber security threats</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of password protected logon procedures</li> <li>Installation of firewall protection and anti-virus software in all systems and endpoints</li> <li>Regular maintenance of the systems was carried out</li> <li>Back up data storage in secure off-site premises</li> <li>Managing and monitoring accessibility to the systems</li> <li>Monitoring software licenses in compliance with regulatory requirements</li> </ul>
<b>Key Customer Relationship</b>	<ul style="list-style-type: none"> <li>Our key customer contributed more than 10% of our sales</li> <li>Loss of this key customer could result in material impact to the Group's results</li> </ul>	<ul style="list-style-type: none"> <li>Continue to reaching out to a wider range of customers and further expansion of domestic and international markets</li> </ul>
<b>Product Quality</b>	<ul style="list-style-type: none"> <li>Failure to maintain consistency in product quality may affect our earnings, business operations, brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Strict adherence to the Group's operation management system</li> <li>Conduct Group's training programs</li> </ul>



## Statement on Risk Management and Internal Control (cont'd)

### 2. MATERIAL RISKS (CONTINUED)

Table 1.0 presents a summary of the Group's material risks and the mitigating measures for the FY2020. (continued)

**Table 1.0 (continued)**

RISK	DESCRIPTION	MITIGATION
<b>Sabotage/ Malicious Actions</b>	<ul style="list-style-type: none"> <li>Large volume and range of products vulnerable to risk of adulteration such as intentionally damaging the machines, deliberate tampering of products, integrity issues and breach of trust</li> <li>This could have a material reputational and financial impact to our Group</li> </ul>	<ul style="list-style-type: none"> <li>Grievance Policy in place</li> <li>Whistleblowing Policy including disciplinary action against committing improprieties and illegal acts and protection to whistleblower</li> <li>Communicate with our employees on the consequences and impose penalties when necessary</li> <li>Installation of CCTV in storage and critical production areas</li> </ul>
<b>Operational Costs</b>	<ul style="list-style-type: none"> <li>Our Group's profit margin could be affected by higher operational costs such as raw material costs, labour costs etc</li> <li>Our inability to pass the costs to our customers would affect our business</li> </ul>	<ul style="list-style-type: none"> <li>Continuous improvement on efficient process flows and cost reduction</li> <li>Improvement initiatives such as digitalisation 4.0 being undertaken to ensure operational efficiencies and effectiveness</li> </ul>
<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>Co2, ammonia gas and chemical substances are used in our cooling and refrigeration system. Our employees are potentially exposed to leakage of the gas(es) and chemical substances from the system which may have impact on employee's health and lead to reputational damage, loss of customer confidence, civil litigation and cost increase</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive safety and health policies and procedures have been developed and supplemented by planned preventive and routine maintenance</li> <li>Installation of twenty-four (24) hours real time monitoring via Supervisory Control and Data Acquisition (SCADA) systems</li> </ul>
<b>Machinery Breakdown</b>	<ul style="list-style-type: none"> <li>The Group is at risk of disruption to its daily business operations from breakdown of machineries</li> <li>Risk of machinery breakdown may have an adverse effect on productivity</li> </ul>	<ul style="list-style-type: none"> <li>Strict adherence to the scheduled preventive and routine maintenance of machineries</li> <li>Maintaining safe stock level for critical parts</li> <li>Conduct root cause analysis on the machinery breakdown</li> <li>Continuous training on preventing machinery breakdown</li> </ul>
<b>Bribery and Corruption</b>	<ul style="list-style-type: none"> <li>The corporate liability provision under Section 17A of the MACC Act 2009 came into force on 1st June 2020</li> <li>The Company may be held liable for acts of corruption by its directors, employees or other associated persons</li> </ul>	<ul style="list-style-type: none"> <li>Established an Anti-Bribery and Anti-Corruption Policy ("ABC") and procedures in order to mitigate bribery and corruption risks</li> <li>Whistleblowing policy has been put in place Awareness and communication to employees and stakeholders</li> </ul>

## Statement on Risk Management and Internal Control

(cont'd)

### 2. MATERIAL RISKS (CONTINUED)

Table 1.0 presents a summary of the Group's material risks and the mitigating measures for the FY2020. (continued)

**Table 1.0 (continued)**

RISK	DESCRIPTION	MITIGATION
<b>Pandemic</b>	<ul style="list-style-type: none"> <li>In early 2020, a significant threat to public health emerged. COVID-19 may cause serious respiratory illness and death. As at 16th December 2020, World Health Organization (WHO) confirmed a global death toll of 1,630,521 due to COVID-19 pandemic</li> <li>The spreading of COVID-19 locally and internationally may affect the Group's operations and the safety of our employees</li> </ul>	<ul style="list-style-type: none"> <li>The Company has business continuity strategies and practices in place. To strengthen this area, a formal business continuity plan policy and procedure is being established</li> <li>Continuous close monitoring the impact of COVID-19 on financial position and operations of the Group</li> <li>Strict adherence to the enhanced internal standard operating procedures that provide guidance to our employees on disease prevention measures and work safety arrangements</li> </ul>
<b>Unsustainable Palm Oil</b>	<ul style="list-style-type: none"> <li>RSPO is a non-profit international membership organisation that promotes the growth and use of sustainable palm oil through credible global standards</li> <li>Consumers from western countries such as UK and US are calling for RSPO certified products in order to protect forestry and environment. Currently, the Group are utilising palm oil based as margarine raw material</li> </ul>	<ul style="list-style-type: none"> <li>Initiates RSPO certification and non-palm based raw materials such as soya based in order to meet the global standard while striving to meet changing consumer demand</li> </ul>

### 3. INTERNAL AUDIT

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

For the financial year 31 December 2020, the GIA have conducted reviews which involved assessing the adequacy of controls over the following:

- Health, safety and environment;
- Maintenance management;
- Quality control management;
- Halal certification management;
- Supply chain management policies & procedures reviews;
- Strategic planning;
- Strategy annual planning framework; and
- Credit control and collection.

## Statement on Risk Management and Internal Control (cont'd)

### 3. INTERNAL AUDIT (CONTINUED)

Upon completion of the audit assignment, the GIA provides an audit report which covers the scope of audit work performed, evaluation of the internal control systems with detailed audit observations, management responses and timeline to implement the GIA's recommendation. The audit report was presented to the AC and deliberated together with the Management during its quarterly meetings. The AC assessed the overall adequacy and effectiveness of the internal control systems and reports the deliberations and material findings to the Board of Directors.

### 4. INTERNAL CONTROL SYSTEM

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

- **The AC and Board**

To assist in the discharge of its stewardship role, the Board has delegated its authority in overseeing the adequacy and operating effectiveness of the Group's risk management and internal control systems to the AC. The AC held five (5) meetings during the financial year to monitor and review the adequacy and effectiveness of the internal control system.

The internal control system covers material controls including financial, operational and compliance controls. In addition, the AC and Board are kept updated on the Group's activities and its operations.

- **Organisation Structure & Authorisation Procedures**

The Group has a formal organisation structure with clearly defined accountabilities, reporting lines and authority in order to align to its business and operational needs. These include setting matters specifically requiring Board's approval and matters delegated to the management. The delegation of authorities is duly approved by the Board and subject to review and update to reflect business and operational changes and needs.

- **Annual Budget and Financial Projections**

The Group's annual budget is deliberated and approved by the Board on an annual basis. The Group's actual performances on a quarterly basis is then monitored against the approved budget with explanations of major variances and presented to the Board. The Group's actual performance versus budget for the year are reviewed by the Board on a half yearly basis.

- **Group Policies and Procedures**

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

- **Human Resource Policy**

Comprehensive guidelines on employment are in place to ensure that the Group has a team of employees who are well trained and equipped with the necessary knowledge, skills and abilities to carry out their responsibilities effectively. In addition, the Group has set up a performance management system to assess employees' performance and to identify and assess talent for career development.

## Statement on Risk Management and Internal Control

(cont'd)

### 4. INTERNAL CONTROL SYSTEM (CONTINUED)

- **Whistleblowing Policy**

The Group has put in place a Whistleblowing Policy ("WBP") which provides employees with accessible channels to raise concerns or disclose information regarding suspected or known malpractices, misconducts or wrongdoings within the Group without fear of any form of victimisation, harassment, retribution or retaliation.

In mid-2020, the Board approved the revised WBP. The Senior Independent Non-Executive Director has oversight over the access to the whistleblowing cases and the whistleblowing processes. The WBP is available on the Group's website.

- **Anti-Bribery and Anti-Corruption Policy**

The Group has taken steps to establish an Anti-Bribery and Anti-Corruption Policy ("ABC Policy") to set out principles and clear procedures for all donations, sponsorships, hospitality and gifting activities of the Group. The ABC Policy also provide guidance to all employees on how to deal with improper solicitation, bribery and other corrupt activities.

This policy applies to all stakeholders and employees of Kawan and the Group. All employees are required to declare that they have read, understood and will abide by the policy. In order to raise awareness on corporate liability, Kawan conducted training and briefing sessions on corporate liability to Directors and Management of Kawan.

- **Information and Communication**

Effective communication of critical information to the achievement of the Group's business objectives through clear reporting lines are established 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**

Management has set up the Operations Committee that meet regularly to discuss operational and other pertinent issues. Monthly management reports comprising key financial results and operational performance are reviewed and monitored by the management team. Quarterly financial statements are presented to the Board for their review, consideration and approval.

- **External Certifications**

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

All of our manufacturing sites are subject to independent third-party audits under British Retail Consortium Global Standard for Food Safety.

The Company has been awarded MS1480: 2019 HACCP food safety certification that grants the Group health certificate for our exports without the need for product testing.

In addition, Malaysian Islamic Development Department (JAKIM) and Jabatan Agama Islam Selangor (JAIS) have added Kawan Food to their HALAL "White List" in FY2017 and FY2018 respectively for HALAL fast track application which allows JAKIM and JAIS to expedite the issuance of HALAL certificate within three (3) working days. However, the Group will be subject to ad-hoc audits from time to time to ensure compliance with the systems.

## Statement on Risk Management and Internal Control

(cont'd)

### REVIEW OF THIS STATEMENT BY THE EXTERNAL AUDITOR

Pursuant to Paragraph 15.23 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirement, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the FY2020 Annual Report. Their review was performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respect, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Directors of Listed Issuers to be set out, or is factually inaccurate.

### CONCLUSION

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

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

This statement was approved by the Board on 15 April 2021.



## STATEMENT ON DIRECTORS' RESPONSIBILITY

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

In preparing the annual financial statements of the Company and the Group, the Directors are collectively responsible to ensure that these financial statements have been properly drawn up in accordance with the applicable approved Malaysian Financial Reporting Standard issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 2016 ("the Act") so as to give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

In preparing the financial statements for the year ended 31 December 2020, the Directors have:

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

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

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

This Statement is made in accordance with a resolution of the Board of Directors dated 15 April 2021.

# FINANCIAL STATEMENTS

Directors' Report	82
Statements of Financial Position	88
Statements of Profit or Loss and Other Comprehensive Income	90
Statements of Changes in Equity	92
Statements of Cash Flows	94
Notes to the Financial Statements	97
Statement by Directors	157
Statutory Declaration	157
Independent Auditors' Report	158



## DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

### PRINCIPAL ACTIVITIES

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

### RESULTS

	Group RM	Company RM
Profit for the financial year attributable to:		
Owners of the Company	28,017,858	9,657,658
Non-controlling interests	(365,338)	–
	27,652,520	9,657,658

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

### DIVIDEND

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

In respect of the financial year ended 31 December 2020, the Company declared and paid an interim single tier dividend of 2.5 sen per ordinary share totalling RM8,987,995 on 30 March 2020.

The directors do not recommend any final dividend in respect of the financial year ended 31 December 2020.

### RESERVES AND PROVISIONS

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

### ISSUE OF SHARES AND DEBENTURES

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

### OPTIONS GRANTED OVER UNISSUED SHARES

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

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

## Directors' Report

(cont'd)

### OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

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

- (i) The ESOS shall be in force for a period of five (5) years commencing from the effective date on or before the expiry thereof, the Board of Directors shall have the sole and absolute discretion upon recommendation of the ESOS Committee, without the Company's shareholders' approval in a general meeting, to extend in writing the tenure of the ESOS for another five (5) years, or such shorter period as it deems fit immediately from the expiry of the first five (5) years, the ESOS shall not in aggregate exceed ten (10) years from the effective date of 2 October 2018 or such longer period as may be allowed by the relevant authorities;
- (ii) As the date of offer, an employee who fulfils the following conditions shall be eligible to participate in the ESOS:
  - (a) has attained eighteen (18) years of age;
  - (b) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
  - (c) must have been confirmed in service and have served at least six (6) months in the employment of the Group and of the Company;
  - (d) the employee is under an employment contract, which the contract is for a duration of at least one (1) year and shall have not expired within three (3) months from the date of offer; and
  - (e) has fulfilled any other criteria as may be imposed by the ESOS Committee from time to time.
- (iii) The exercise price shall be determined by ESOS Committee and shall be based on the five (5)-day Volume Weighted Average Market Price ("VWAMP") of Company's shares immediately preceding the date of offer, with a discount, if any, the such discount shall not be more than ten percent (10%);
- (iv) The shares issued and allocated pursuant to the exercise of the options shall, upon issuance and allotment rank *pari passu* in all respects with the then existing shares and be entitled to all rights (including voting, dividend, allotment, distribution, transfer and other rights, as well as those arising on a liquidation of the Company) attaching to the then existing shares, save and except that new shares so issued and allocated will not be entitled to any dividends, rights, allotments or other forms of distribution which may be declared, made or paid, for which entitlement date is prior to the date allotment of such new shares; and
- (v) The eligible employees shall be entitled to exercise such number of the vested options within the option period and they shall have no right to exercise all or any of the options that have been granted but not vested to them.

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

Date of offer	Expiry date	Number of options over ordinary shares		
		At 1.1.2020	Granted	At 31.12.2020
28.8.2020	20.10.2021	–	5,004,000	5,004,000

## Directors' Report

(cont'd)

### DIRECTORS OF THE COMPANY

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

Gan Thiam Chai	
Gan Thiam Hock	
Kwan Sok Kay	
Lim Hun Soon @ David Lim	
Abdul Razak Bin Shakor	
Dr. Nik Ismail bin Nik Daud	
Eugene Hon Kah Weng	
Gan Ka Bien	(Appointed on 24 November 2020)
Nareshchandra Gordhandas Nagrecha	(Retired on 19 June 2020)
Timothy Tan Heng Han	(Resigned on 1 January 2021)

### DIRECTORS OF SUBSIDIARIES

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

Gan Thiam Chai  
 Gan Thiam Hock  
 Kwan Sok Kay  
 Lau Wing Hon  
 Jean-Marc, Michel Lhermite  
 Toshiro Nakazawa

### DIRECTORS' INTERESTS

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 were as follows:

	At 1.1.2020	Number of ordinary shares		At 31.12.2020
		Acquired	(Disposed)	
<b>THE COMPANY</b>				
<b>Direct interest</b>				
Gan Thiam Chai	87,724,248	140,900	–	87,865,148
Gan Thiam Hock	22,462,133	–	–	22,462,133
Timothy Tan Heng Han	135,000	–	–	135,000
Kwan Sok Kay	16,544,972	1,179,433	–	17,724,405
Lim Hun Soon @ David Lim	7,460,028	177,000	–	7,637,028
Gan Ka Bien	4,013,849	–	–	4,013,849
<b>Deemed interest</b>				
Gan Thiam Chai	9,464,149	–	–	9,464,149
Gan Thiam Hock	1,516,300	50,000	(20,000)	1,546,300
Kwan Sok Kay	9,464,149	–	–	9,464,149



## Directors' Report

(cont'd)

### DIRECTORS' INTERESTS (CONTINUED)

By virtue of his substantial interests in the shares of the Company, Gan Thiam Chai is also deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

None of the other directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the benefits shown under directors' remuneration) by reason of a contract made by the Company or a related corporation with a director or with a firm of which a director is a member or with a company in which the director has a substantial financial interest, other than certain directors, and the spouse of a director and children of certain directors who have significant financial interests in companies which traded with certain companies within the Group in the ordinary course of business as disclosed in Note 35 to the financial statements.

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

### DIRECTORS' REMUNERATION

The directors' remuneration is disclosed in Note 34 to the financial statements.

### INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

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

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

### SUBSIDIARY COMPANIES

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

### AUDITORS' REMUNERATION

The auditors' remuneration is disclosed in Note 24 to the financial statements.

## Directors' Report

(cont'd)

### OTHER STATUTORY INFORMATION

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

Directors' Report  
(cont'd)

**AUDITORS**

The auditors, Messrs RSM Malaysia, 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**

**GAN THIAM HOCK**

Selangor

15 April 2021

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	228,498,794	225,921,490	–	–
Right-of-use assets	7	17,543,343	17,698,857	–	–
Investment properties	8	8,142,738	8,564,798	–	–
Investments in subsidiaries	9	–	–	61,255,560	61,715,360
Investment in a jointly controlled entity	10	–	–	–	–
Other investments	11	–	–	122,000,000	–
Deferred tax assets	12	485,558	464,856	–	–
<b>Total non-current assets</b>		<b>254,670,433</b>	<b>252,650,001</b>	<b>183,255,560</b>	<b>61,715,360</b>
<b>Current assets</b>					
Other investments	11	13,483,314	6,433,734	–	–
Trade and other receivables	13	49,599,548	46,286,837	3,601,000	122,286,335
Inventories	14	30,239,037	23,699,572	–	–
Current tax assets		1,215,121	3,694,881	1,149,083	42,237
Prepayments		1,120,281	1,493,570	30,922	22,526
Cash and cash equivalents	15	66,319,060	48,823,145	2,339,620	4,562,928
<b>Total current assets</b>		<b>161,976,361</b>	<b>130,431,739</b>	<b>7,120,625</b>	<b>126,914,026</b>
<b>TOTAL ASSETS</b>		<b>416,646,794</b>	<b>383,081,740</b>	<b>190,376,185</b>	<b>188,629,386</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	16	179,759,880	179,759,880	179,759,880	179,759,880
Reserves	17	165,248,843	144,155,842	10,505,528	8,721,005
		345,008,723	323,915,722	190,265,408	188,480,885
Non-controlling interests		658,595	1,023,933	–	–
<b>TOTAL EQUITY</b>		<b>345,667,318</b>	<b>324,939,655</b>	<b>190,265,408</b>	<b>188,480,885</b>

Statements of Financial Position  
As at 31 December 2020  
(cont'd)

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	18	5,735,628	9,358,129	–	–
Deferred tax liabilities	12	9,219,539	7,384,531	–	–
<b>Total non-current liabilities</b>		14,955,167	16,742,660	–	–
<b>Current liabilities</b>					
Loans and borrowings	18	9,448,927	6,398,971	–	–
Trade and other payables	19	44,892,946	34,847,222	110,777	148,501
Current tax liabilities		1,682,436	153,232	–	–
<b>Total current liabilities</b>		56,024,309	41,399,425	110,777	148,501
<b>TOTAL LIABILITIES</b>		70,979,476	58,142,085	110,777	148,501
<b>TOTAL EQUITY AND LIABILITIES</b>		416,646,794	383,081,740	190,376,185	188,629,386

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



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>REVENUE</b>	20	254,702,961	214,086,870	12,586,995	8,134,000
<b>COST OF SALES</b>		(153,693,190)	(142,333,310)	–	–
<b>GROSS PROFIT</b>		101,009,771	71,753,560	12,586,995	8,134,000
<b>OTHER INCOME</b>	21	5,839,938	3,352,309	–	–
<b>SELLING AND DISTRIBUTION EXPENSES</b>		(46,930,588)	(39,406,165)	–	–
<b>ADMINISTRATIVE EXPENSES</b>		(27,593,698)	(19,837,459)	(2,996,879)	(1,689,434)
<b>PROFIT FROM OPERATING ACTIVITIES</b>		32,325,423	15,862,245	9,590,116	6,444,566
<b>FINANCE INCOME</b>	22	467,282	489,705	60,687	5,230,016
<b>FINANCE COSTS</b>	23	(777,312)	(997,902)	(78)	(138)
<b>PROFIT BEFORE TAXATION</b>	24	32,015,393	15,354,048	9,650,725	11,674,444
<b>TAXATION</b>	25	(4,362,873)	(3,340,331)	6,933	(1,125,368)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		27,652,520	12,013,717	9,657,658	10,549,076

Statements of Profit or Loss and Other Comprehensive Income  
For the financial year ended 31 December 2020  
(cont'd)

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE), NET OF TAX:</b>					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations	26	948,278	(750,810)	–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		28,600,798	11,262,907	9,657,658	10,549,076
<b>Profit attributable to:</b>					
Owners of the Company		28,017,858	12,189,784	9,657,658	10,549,076
Non-controlling interests		(365,338)	(176,067)	–	–
		27,652,520	12,013,717	9,657,658	10,549,076
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		28,966,136	11,438,974	9,657,658	10,549,076
Non-controlling interests		(365,338)	(176,067)	–	–
		28,600,798	11,262,907	9,657,658	10,549,076
<b>EARNINGS PER ORDINARY SHARE:</b>					
- Basic	27	7.79	3.39		
- Diluted	27	7.77	–		

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

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

Group	Note	Attributable to owners of the Company					Total equity RM
		Non-distributable		Distributable		Non-controlling interests RM	
		Share capital RM	Translation reserve RM	Share option reserve RM	Retained earnings RM	Total RM	
Balance as at 1.1.2019		179,759,880	8,830,490	-	132,874,373	321,464,743	321,464,743
Profit for the financial year		-	-	-	12,189,784	12,189,784	12,013,717
Other comprehensive expense for the financial year		-	(750,810)	-	-	(750,810)	(750,810)
Total comprehensive (expense)/income for the financial year		-	(750,810)	-	12,189,784	11,438,974	11,262,907
Contribution by and distributions to owners		-	-	-	(8,987,995)	(8,987,995)	-
- dividend to owners of the Company	28	-	-	-	-	-	(8,987,995)
- non-controlling interests acquired in a new subsidiary		-	-	-	-	-	1,200,000
Total transactions with owners of the Company		-	-	-	(8,987,995)	(8,987,995)	(7,787,995)
Balance as at 31.12.2019/1.1.2020		179,759,880	8,079,680	-	136,076,162	323,915,722	324,939,655
Profit for the financial year		-	-	-	28,017,858	28,017,858	27,652,520
Other comprehensive income for the financial year		-	948,278	-	-	948,278	948,278
Total comprehensive income/(expense) for the financial year		-	948,278	-	28,017,858	28,966,136	28,600,798
Contributions by and distributions to owners		-	-	-	(8,987,995)	(8,987,995)	-
- dividend to owners of the Company	28	-	-	-	-	1,114,860	(8,987,995)
- share options granted under ESOS		-	-	1,114,860	-	-	1,114,860
Total transactions with owners of the Company		-	-	1,114,860	(8,987,995)	(7,873,135)	(7,873,135)
Balance as at 31.12.2020		179,759,880	9,027,958	1,114,860	155,106,025	345,008,723	345,667,318

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

Statements of Changes in Equity  
For the financial year ended 31 December 2020  
(cont'd)

		<b>Non-distributable Share capital RM</b>	<b>Share option reserve RM</b>	<b>Distributable Retained earnings RM</b>	<b>Total RM</b>
	<b>Note</b>				
<b>Company</b>					
Balance as at 1.1.2019		179,759,880	–	7,159,924	186,919,804
Profit and total comprehensive income for the financial year		–	–	10,549,076	10,549,076
Contribution by and distributions to owners					
- dividend to owners of the Company	28	–	–	(8,987,995)	(8,987,995)
Balance as at 31.12.2019/1.1.2020		179,759,880	–	8,721,005	188,480,885
Profit and total comprehensive income for the financial year		–	–	9,657,658	9,657,658
Contribution by and distributions to owners					
- dividend to owners of the Company	28	–	–	(8,987,995)	(8,987,995)
- share options granted under ESOS		–	1,114,860	–	1,114,860
		–	1,114,860	(8,987,995)	(7,873,135)
Balance as at 31.12.2020		179,759,880	1,114,860	9,390,668	190,265,408

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

# STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before taxation		32,015,393	15,354,048	9,650,725	11,674,444
Adjustments for:					
Depreciation of investment properties	8	146,355	48,049	–	–
Depreciation of property, plant and equipment	6	16,439,901	16,405,667	–	–
Depreciation of right-of-use assets	7	280,608	347,190	–	–
Property, plant and equipment written off	6	297,003	–	–	–
Dividends income		–	–	(12,586,995)	(8,134,000)
Employees' share option scheme expenses	24	1,114,860	–	1,114,860	–
Finance income from intercompany	22	–	–	–	(5,038,587)
Finance income from deposits	22	(467,282)	(489,705)	(60,687)	(191,429)
Impairment loss on trade receivables	24	99,465	724,114	–	–
Reversal of impairment loss on trade receivables	24	(286,192)	–	–	–
Impairment loss on property, plant and equipment	6	–	474,258	–	–
Provision for slow moving inventories	14	407,322	270,497	–	–
Inventories written off	14	661,595	744,239	–	–
Finance costs	23	574,817	825,674	–	–
Gain on disposal of property, plant and equipment	24	(282,157)	(531,993)	–	–
Gain on disposal of investment properties	24	(376,977)	(993,459)	–	–
Fair value loss/(gain) on financial assets	24	201,600	(420,000)	–	–
Unrealised loss on foreign exchange	24	1,502,843	820,610	484,631	300,168
<b>Operating profit/(loss) before working capital changes</b>		<b>52,329,154</b>	<b>33,579,189</b>	<b>(1,397,466)</b>	<b>(1,389,404)</b>
Increase in inventories		(7,608,382)	(1,248,717)	–	–
(Increase)/Decrease in trade and other receivables, prepayments and other financial assets		(4,232,548)	6,996,525	275,939	(7,810,677)
Increase/(Decrease) in trade and other payables		10,064,222	2,391,321	(37,724)	92,337
<b>Cash generated from/(used in) operations</b>		<b>50,552,446</b>	<b>41,718,318</b>	<b>(1,159,251)</b>	<b>(9,107,744)</b>



Statements of Cash Flows  
For the financial year ended 31 December 2020  
(cont'd)

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>					
Dividend received		–	–	8,987,995	8,134,000
Income tax paid		(1,804,934)	(2,669,060)	(1,099,913)	(1,406,391)
Income tax refund		3,261,672	2,563,722	–	49,885
<b>Net cash generated from/(used in) operating activities</b>		52,009,184	41,612,980	6,728,831	(2,330,250)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of a subsidiary		–	–	–	(1,800,000)
Proceeds from disposal of property, plant and equipment		326,420	1,081,061	–	–
Proceeds from disposal of investment properties		652,682	1,497,429	–	–
Purchase of property, plant and equipment		(18,275,970)	(21,182,957)	–	–
Finance income received from intercompany	22	–	–	–	5,038,587
Finance income received from deposits	22	467,282	489,705	60,687	191,429
Placement in other investments		(7,251,180)	(3,599,889)	–	–
<b>Net cash (used in)/generated from investing activities</b>		(24,080,766)	(21,714,651)	60,687	3,430,016
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividend paid to owners of the Company	28	(8,987,995)	(8,987,995)	(8,987,995)	(8,987,995)
Issue of shares by a subsidiary to non-controlling interests		–	1,200,000	–	–
Repayment of loans and borrowings		(8,843,206)	(9,167,522)	–	–
Drawdown of loans and borrowings		8,158,353	8,438,337	–	–
Finance costs on loans and borrowings	23	(574,817)	(825,674)	–	–
<b>Net cash used in financing activities</b>		(10,247,665)	(9,342,854)	(8,987,995)	(8,987,995)

**Statements of Cash Flows**  
 For the financial year ended 31 December 2020  
 (cont'd)

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		17,680,753	10,555,475	(2,198,477)	(7,888,229)
Effect of foreign exchange differences		(184,838)	(1,191,715)	(24,831)	(40,018)
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>		48,823,145	39,459,385	4,562,928	12,491,175
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	15	66,319,060	48,823,145	2,339,620	4,562,928

**NOTES TO THE STATEMENT OF  
CASH FLOWS**

**Cash outflows for leases as a lessee**

*Included in net cash from operating activities:*

Payment relating to short-term leases	(523,762)	(277,924)	–	–
<b>Total cash outflows for leases</b>	(523,762)	(277,924)	–	–

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2020

## 1. PRINCIPAL ACITIVITIES

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

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

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of accounting

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

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

### (b) Basis of consolidation

#### (i) Subsidiaries

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

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

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

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

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Basis of consolidation (continued)****(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 interest in the acquiree; less
- (d) the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

**(iii) Acquisitions of non-controlling interests**

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

**(iv) Loss of control**

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

**(v) Jointly-controlled entities**

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

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Basis of consolidation (continued)

##### (v) Jointly-controlled entities (continued)

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 are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

##### (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.

#### (c) Foreign currency

##### (i) Foreign currency transaction

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

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.



## Notes to the Financial Statements

- 31 December 2020

(cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Foreign currency (continued)****(i) Foreign currency transaction (continued)**

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

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

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

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

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

**(d) Financial instruments****(i) Initial recognition and measurement**

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

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

**(ii) Financial assets**

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

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Financial instruments (continued)

##### (ii) Financial assets (continued)

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

##### (i) Financial assets at AC

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

##### (ii) Financial assets at FVPL

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

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

##### (iii) Financial liabilities

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

Financial guarantee contracts issued, and commitments to provide loans at a below-market interest rate given, by the Group and the Company are measured at the higher of: (a) the amount of impairment loss determined and (b) the amount initially recognised less, when appropriate, the cumulative of income recognised in accordance with the principles in MFRS 15 *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

##### (iv) Derecognition of financial instruments

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

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

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

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Financial instruments (continued)****(v) Fair value measurement**

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

**(vi) Recognition of gains and losses**

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

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

**(e) Property, plant and equipment****(i) Recognition and measurement**

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

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

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

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

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

**(ii) Subsequent cost**

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

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Property, plant and equipment (continued)

##### (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 lives that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Leasehold land is amortised over the remaining lease periods ranging from 68 to 84 years. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

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

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

#### (f) Leases

##### (i) Definition of a lease

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

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

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

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(f) Leases (continued)****(ii) Recognition and initial measurement****(a) As a lessee**

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

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

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

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

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

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

**(b) As a lessor**

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

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

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



Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Leases (continued)

##### (iii) Subsequent measurement

##### (a) As a lessee

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

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

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

##### (b) As a lessor

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

#### (g) Goodwill

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

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

#### (h) Investment properties

##### (i) Investment properties carried at cost

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

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(h) Investment properties (continued)****(i) Investment properties carried at cost (continued)**

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

An investment property is derecognised on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings and over the remaining lease periods of 87 years for leasehold land. Freehold land is not depreciated.

**(ii) Determination of fair value**

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

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

**(i) Inventories**

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

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

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

**(j) Cash and cash equivalents**

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

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Impairment

##### (i) Financial assets

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

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

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

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

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

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

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

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

##### (ii) Other assets

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

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(k) Impairment (continued)****(ii) Other assets (continued)**

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

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

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

**(l) Equity instruments**

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

**(i) Issue expenses**

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

**(ii) Ordinary shares**

Ordinary shares are classified as equity.

**(iii) Dividend distribution**

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

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Employee benefits

##### (i) Short-term employee benefits

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

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

##### (ii) State plans

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

#### (n) Share-based payments

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

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

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

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

#### (o) Provisions

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



## Notes to the Financial Statements

- 31 December 2020

(cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(p) Revenue and other income****(i) Revenue**

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

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

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

**(ii) Dividend income**

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

**(iii) Rental income**

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

**(iv) Finance income**

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

**(q) Borrowing costs**

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

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

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

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

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

#### (s) Earnings per ordinary share

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

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

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

#### (t) Operating segments

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

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(u) Contingent liabilities**

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

**(v) Fair value measurements**

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

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

**4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS****4.1 MFRSs and Amendments to MFRSs adopted**

For the preparation of the financial statements, the following accounting standards and amendments of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2020:

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 *Business Combination – Definition of a Business*
- Amendments to MFRS 101 *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

During the financial year, the Group and the Company have early adopted the Amendment to MFRS 16 *Leases – Covid-19-Related Rent Concessions*.

The adoption of the above-mentioned accounting standards and amendments have no significant impact on the financial statements of the Group and of the Company.

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

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

##### 4.2 New/Revised MFRSs and Amendments to MFRSs not adopted

The following are accounting standards and amendments of the MFRS framework that have been issued by the MASB but have not been adopted by the Group and the Company:

##### **MFRSs and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2021**

- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosure*, MFRS 4 *Insurance Contracts* and MFRS 16 *Leases – Interest Rate Benchmark Reform Phase 2*

##### **MFRSs and Amendments to MFRSs effective for annual periods beginning on or after 1 April 2021**

- Amendment to MFRS 16 *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

##### **MFRSs and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2022**

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

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

- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

##### **MFRSs and Amendments to MFRSs effective date yet to be confirmed**

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

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

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts* have not been taken into consideration because they are not applicable to the Group and the Company.

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

### 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

The cost of property, plant and equipment and right-of-use assets 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 and right-of-use assets to be within 3 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 and right-of-use assets is disclosed in Note 6 and Note 7 respectively.

#### (b) Impairment of non-financial assets

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

The carrying amount of the non-financial assets are disclosed in Notes 6 to 10 respectively.

#### (c) Loss allowances of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency, significant financial difficulties of the receivables, default or significant delay in payments, current economic trends, the impact of the coronavirus (COVID-19) pandemic and forward-looking information that is available.

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

#### (d) Tax

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

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### (d) Tax (continued)

The carrying amount of current tax assets at 31 December 2020 of the Group and of the Company is RM1,215,121 (2019: RM3,694,881) and RM1,149,083 (2019: RM42,237) respectively.

The carrying amount of current tax liabilities at 31 December 2020 of the Group and of the Company is RM1,682,436 (2019: RM153,232) and RM NIL (2019: RM NIL) respectively.

The carrying amount of deferred tax assets and liabilities are disclosed in Note 12.

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

### (e) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is written down to their estimated realisable value when their cost may no longer be recoverable such as when inventories are damaged or become wholly or partly obsolete or their selling prices have declined. In any case, the realisable value represents the best estimate of the recoverable amount, is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of write-downs to net realisable value include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and may materially affect the carrying amount of inventories at the reporting date (as reflected in Note 14).

### (f) Share-based payments

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

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

### (g) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the coronavirus (COVID-19) pandemic has had, or may have, on the Group and the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group and the Company operate. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group and the Company unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.



## Notes to the Financial Statements

- 31 December 2020

(cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Apartment	Motor	Furniture, fittings and office equipment	Plant and machinery	Renovations	Signage	Capital work in progress	Total
Cost	RM	RM	vehicles RM	RM	RM	RM	RM	RM	RM
At 1 January 2019	116,298,050	1,049,301	4,937,912	10,133,934	128,229,041	5,295,218	245,394	6,829,972	273,018,822
Additions	269,581	-	1,372,075	959,575	2,601,161	1,615,720	37,485	14,327,360	21,182,957
Disposals	-	(521,423)	(687,592)	(6,546)	(522,511)	-	-	-	(1,738,072)
Written off	(94,657)	-	-	-	(11,400)	-	-	-	(106,057)
Transfer to investment properties	(2,082,925)	-	-	-	-	-	-	-	(2,082,925)
Effect of movements in exchange rates	(416,791)	(11,966)	(29,243)	(30,547)	(420,680)	-	-	36,099	(873,128)
Reclassification	55,831	-	-	89,982	4,341,918	1,154,251	4,150	(5,646,132)	-
At 31 December 2019/1 January 2020	114,029,089	515,912	5,593,152	11,146,398	134,217,529	8,065,189	287,029	15,547,299	289,401,597
Additions	1,605,713	-	483,303	308,618	2,861,998	389,777	-	12,626,561	18,275,970
Disposals	-	-	(330,994)	(3,700)	(277,035)	-	-	-	(611,729)
Written off	-	-	-	(20,195)	(3,800)	-	-	(279,169)	(303,164)
Effect of movements in exchange rates	808,884	-	55,498	57,541	883,325	-	-	107,852	1,913,100
Reclassification	-	-	-	1,992,655	8,673,789	-	-	(10,666,444)	-
At 31 December 2020	116,443,686	515,912	5,800,959	13,481,317	146,355,806	8,454,966	287,029	17,336,099	308,675,774

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Buildings RM	Apartments RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Plant and machinery RM	Renovations RM	Signage RM	Capital work in progress RM	Total RM
<b>Accumulated depreciation</b>									
At 1 January 2019	5,566,980	259,552	1,728,554	3,294,657	33,310,957	4,688,086	42,543	-	48,891,329
Charge for the financial year	2,397,249	16,514	560,863	1,133,290	11,899,998	374,562	23,191	-	16,405,667
Disposals	-	(116,722)	(559,938)	(873)	(511,471)	-	-	-	(1,189,004)
Written off	(94,657)	-	-	-	(11,400)	-	-	-	(106,057)
Transfer to investment properties	(556,057)	-	-	-	-	-	-	-	(556,057)
Effect of movements in exchange rates	(83,696)	(2,695)	(18,627)	(25,706)	(304,122)	-	-	-	(434,846)
At 31 December 2019/ 1 January 2020	7,229,819	156,649	1,710,852	4,401,368	44,383,962	5,062,648	65,734	-	63,011,032
Charge for the financial year	2,317,859	10,741	637,298	1,321,133	11,751,953	376,194	24,723	-	16,439,901
Disposals	-	-	(322,783)	(679)	(244,004)	-	-	-	(567,466)
Written off	-	-	-	(2,363)	(3,798)	-	-	-	(6,161)
Effect of movements in exchange rates	157,390	-	35,469	47,534	569,316	-	-	-	809,709
At 31 December 2020	9,705,068	167,390	2,060,836	5,766,993	56,457,429	5,438,842	90,457	-	79,687,015

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Buildings RM	Apartments RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Plant and machinery RM	Renovations RM	Signage RM	Capital work in progress RM	Total RM
<b>Accumulated impairment loss</b>									
At 1 January 2019	-	-	-	-	-	-	-	-	-
Charge for the financial year	-	-	-	-	474,258	-	-	-	474,258
Effect of movements in exchange rates	-	-	-	-	(5,183)	-	-	-	(5,183)
At 31 December 2019/ 1 January 2020	-	-	-	-	469,075	-	-	-	469,075
Effect of movements in exchange rates	-	-	-	-	20,890	-	-	-	20,890
At 31 December 2020	-	-	-	-	489,965	-	-	-	489,965
<b>Carrying amounts</b>									
At 31 December 2019/ 1 January 2020	106,799,270	359,263	3,882,300	6,745,030	89,364,492	3,002,541	221,295	15,547,299	225,921,490
At 31 December 2020	106,738,618	348,522	3,740,123	7,714,324	89,408,412	3,016,124	196,572	17,336,099	228,498,794

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (a) Apartments

The strata title for apartments with net carrying amount of RM162,552 (2019: RM167,541) have yet to be issued to a subsidiary.

### (b) Security

Buildings with net carrying amount of RM14,853,059 (2019: RM14,561,056) have been charge to licensed banks for banking facilities granted to subsidiaries (Note 18).

## 7. RIGHT-OF-USE ASSETS

	Leasehold lands RM	Prepaid lease payments RM	Total RM
<b>Group Cost</b>			
At 1 January 2019	22,801,710	3,862,238	26,663,948
Transfer to investment properties	(6,063,920)	–	(6,063,920)
Effect of movements in exchange rates	–	(86,639)	(86,639)
At 31 December 2019/1 January 2020	16,737,790	3,775,599	20,513,389
Effect of movements in exchange rates	–	168,146	168,146
At 31 December 2020	16,737,790	3,943,745	20,681,535
<b>Accumulated depreciation</b>			
At 1 January 2019	2,506,463	926,936	3,433,399
Charge for the financial year	269,714	77,476	347,190
Transfer to investment properties	(943,301)	–	(943,301)
Effect of movements in exchange rates	–	(22,756)	(22,756)
At 31 December 2019/1 January 2020	1,832,876	981,656	2,814,532
Charge for the financial year	201,066	79,542	280,608
Effect of movements in exchange rates	–	43,052	43,052
At 31 December 2020	2,033,942	1,104,250	3,138,192
<b>Carrying amounts</b>			
At 31 December 2019/1 January 2020	14,904,914	2,793,943	17,698,857
At 31 December 2020	14,703,848	2,839,495	17,543,343

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

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

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

**(b) Prepaid lease payments**

The prepaid lease payments are wholly related to a leasehold land with unexpired lease period of less than 50 years. The prepaid lease payments are not transferable and have a remaining tenure of 36 years (2019: 37 years).

**(c) Security**

Leasehold lands with net carrying amount of RM16,086,747 (2019: RM16,215,119) have been charged to licensed banks banking facilities granted to a subsidiary (Note 18).

**8. INVESTMENT PROPERTIES**

	2020 RM	Group 2019 RM
<b>Cost</b>		
At 1 January	10,880,252	3,341,812
Disposals	(388,306)	(608,911)
Transfer from property, plant and equipment	–	2,082,925
Transfer from right-of-use assets	–	6,063,920
Effect of movements in exchange rates	–	506
At 31 December	10,491,946	10,880,252
<b>Accumulated depreciation</b>		
At 1 January	2,315,454	872,912
Charge for the financial year	146,355	48,049
Disposals	(112,601)	(104,941)
Transfer from property, plant and equipment	–	556,057
Transfer from right-of-use assets	–	943,301
Effect of movements in exchange rates	–	76
At 31 December	2,349,208	2,315,454
<b>Carrying amounts</b>		
At 31 December	8,142,738	8,564,798
Represented by:		
Freehold land	–	78,000
Leasehold land with unexpired lease period of more than 50 years	5,978,203	6,059,612
Buildings	2,164,535	2,427,186
	8,142,738	8,564,798

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 8. INVESTMENT PROPERTIES (CONTINUED)

Investment properties comprise two (2019: three) commercial properties that are leased to third parties. The leases are renewable on yearly basis. No contingent is charged.

The fair value of the investment properties are as follows:

	2020 RM	Group 2019 RM
At 31 December	51,726,193	62,766,841

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

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

*Significant 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:

	2020 RM	Group 2019 RM
Rental income	(1,296,815)	(610,382)
Direct operating expenses	146,265	140,462

Investment properties of the Group amounting to RM8,142,738 (2019: RM8,288,576) has been charged to a licensed bank for credit facilities granted to a subsidiary (Note 18).



Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 9. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM	2019 RM
Unquoted shares - at cost	37,037,514	35,237,514
Addition	–	1,800,000
Less: Impairment loss	37,037,514 (96,900)	37,037,514 (96,900)
Capital contribution	36,940,614 24,314,946	36,940,614 24,774,746
	61,255,560	61,715,360

Details of the subsidiaries are as follows:

Subsidiaries of the Company	Effective ownership interest		Country of incorporation	Principal activities
	2020 %	2019 %		
Kawan Food Manufacturing Sdn. Bhd.	100	100	Malaysia	Manufacturing and sale of frozen food products
KG Pastry Marketing Sdn. Bhd.	100	100	Malaysia	Investment property and rental of trucks
Kawan Food Confectionery Sdn. Bhd.	100	100	Malaysia	Investment holding
Dikawan Food Sdn. Bhd.*	51	51	Malaysia	Food truck operator
Kawan Food (Hong Kong) Limited**#	100	100	Hong Kong	Trading and distribution of frozen food products
KLBG Sdn. Bhd.	60	60	Malaysia	Manufacturing and exporting of frozen food products
<b>Subsidiary of Kawan Food (Hong Kong) Limited</b>				
Kawan Food (Nantong) Co., Ltd.**	100	100	The People's Republic of China	Manufacturing and trading of frozen food delicacies

\* In the progress of winding up

\*\* Audited by other member firms of RSM International

# 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.

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### Non-controlling interests in subsidiary

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

	KLBG Sdn. Bhd.	
	2020 RM	2019 RM
NCI percentage of ownership interest and voting interest	40%	40%
Carrying amount of NCI	658,595	1,023,933
Loss allocated to NCI	(365,338)	(176,067)

Summarised financial information before intra-group elimination

#### As at 31 December

Non-current asset	718,740	742,829
Current assets	1,357,928	1,868,076
Current liability	(430,181)	(51,073)

Net assets	1,646,487	2,559,832
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#### Year ended 31 December

Revenue	8,038	–
Loss and total comprehensive expense for the financial year	(913,345)	(440,168)

Cash flows used in operating activities	(53,822)	(819,343)
Cash flows used in investing activity	–	(753,054)
Cash flows from financing activity	–	2,999,000

Net (decrease)/increase in cash and cash equivalent	(53,822)	1,426,603
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## 10. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2020 RM	2019 RM
Unquoted shares - at cost	–	–

Details of the jointly controlled entity are as follows:

Jointly controlled entity	Effective ownership interest		Country of incorporation	Principal activities
	2020 %	2019 %		
Hot & Go Management Sdn. Bhd.	50	50	Malaysia	Operation of kiosk for food and beverage

As at 31 December 2020, the company is in the progress of winding up.

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 11. OTHER INVESTMENTS

	Shares quoted in Malaysia RM	Unit trust RM	Total RM
<b>Group</b>			
<b>2020</b>			
<b>Current</b>			
Financial assets at fair value through profit or loss	392,000	13,091,314	13,483,314
Market value of quoted investments	392,000	13,091,314	13,483,314
<b>2019</b>			
<b>Current</b>			
Financial assets at fair value through profit or loss	593,600	5,840,134	6,433,734
Market value of quoted investments	593,600	5,840,134	6,433,734
		<b>Company</b>	
		<b>2020</b>	<b>2019</b>
		<b>RM</b>	<b>RM</b>
<b>Non-current</b>			
<b>At cost</b>			
Redeemable Cumulative Preference Shares (Unquoted shares)		122,000,000	–
Dividend recognised in profit or loss		3,599,000	–

On 1 January 2020, the Company subscribed 122,000,000 Redeemable Cumulative Preference Shares at an issue price of RM1.00 per share of a subsidiary for a total consideration of RM122,000,000 by capitalising the amount due from the subsidiary.

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 12. DEFERRED TAX ASSETS/(LIABILITIES)

### Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM
<b>Group</b>						
Property, plant and equipment	–	–	(12,608,470)	(12,731,862)	(12,608,470)	(12,731,862)
Provisions	3,753,886	2,047,755	–	–	3,753,886	2,047,755
Unabsorbed capital allowances	–	3,938,698	–	–	–	3,938,698
Others	387,055	95,778	(266,452)	(270,044)	120,603	(174,266)
Deferred tax assets/(liabilities)	4,140,941	6,082,231	(12,874,922)	(13,001,906)	(8,733,981)	(6,919,675)
Set off	(3,655,383)	(5,617,375)	3,655,383	5,617,375	–	–
Net deferred tax assets/(liabilities)	485,558	464,856	(9,219,539)	(7,384,531)	(8,733,981)	(6,919,675)

Movement in temporary differences during the financial year

	At 1.1.2019 RM	Recognised in profit or loss (Note 25) RM	Recognised in other comprehensive income (Note 26) RM	At 31.12.2019/ 1.1.2020 RM	Recognised in profit or loss (Note 25) RM	Recognised in other comprehensive income (Note 26) RM	At 31.12.2020 RM
<b>Group</b>							
Property, plant and equipment	(11,204,895)	(1,526,967)	–	(12,731,862)	123,392	–	(12,608,470)
Provisions	1,445,759	598,551	3,445	2,047,755	1,704,642	1,489	3,753,886
Unabsorbed capital allowances	5,443,580	(1,504,882)	–	3,938,698	(3,938,698)	–	–
Others	(868,581)	696,206	(1,891)	(174,266)	306,055	(11,186)	120,603
	(5,184,137)	(1,737,092)	1,554	(6,919,675)	(1,804,609)	(9,697)	(8,733,981)

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 12. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

As at 31 December 2020, the Group has the following deferred tax assets which are not recognised in the financial statements due to uncertainty in the availability of future taxable income:

	2020 RM	Group 2019 RM
Property, plant and equipment	(20,171)	–
Unabsorbed capital allowances	25,952	–
Unabsorbed tax losses	198,703	–
	204,484	–

As at 31 December 2020, the Group has unabsorbed capital allowances and unabsorbed tax losses of approximately RM108,000 and RM827,000 respectively, which are available to set off against future chargeable income.

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

	2020 RM	Group 2019 RM
Year of assessments		
2026	300,817	–
2027	527,113	–

## 13. TRADE AND OTHER RECEIVABLES

	Note	2020 RM	Group 2019 RM	2020 RM	Company 2019 RM
<b>Trade</b>					
Trade receivables	(a)	47,654,680	45,250,365	–	–
Less: Impairment loss					
- Individual impairment losses		(368,022)	(371,427)	–	–
- Collective impairment losses		(169,365)	(352,687)	–	–
Effect of movements in exchange rates		3,665	8,520	–	–
		47,120,958	44,534,771	–	–
<b>Non-trade</b>					
Amount due from a subsidiary	(b)	–	–	3,599,000	122,284,335
Other receivables		2,478,590	1,752,066	2,000	2,000
		2,478,590	1,752,066	3,601,000	122,286,335
		49,599,548	46,286,837	3,601,000	122,286,335

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 13. TRADE AND OTHER RECEIVABLES (CONTINUED)

#### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2019: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables of the Group is amount of RM4,895,069 (2019: RM5,364,827) due from companies in which certain directors have interests and held directorship.

#### (b) Amount due from a subsidiary

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

Included in amount due from a subsidiary is amount of RM NIL (2019: RM122,284,335) advance to a subsidiary, subject to interest at base lending rate ("BLR") of NIL (2019: 4.76%).

### 14. INVENTORIES

	2020 RM	Group 2019 RM
<b>At cost</b>		
Raw materials	3,011,374	2,862,818
Packing materials	5,124,640	4,454,735
Finished goods	18,296,882	13,846,054
Spare parts	1,738,012	113,708
Goods-in-transit	2,068,129	2,422,257
	30,239,037	23,699,572
Recognised in profit or loss:		
Inventories recognised as cost of sales	153,421,363	142,333,310
Inventories written off	661,595	744,239
Provision for slow moving inventories	407,322	270,497

### 15. CASH AND CASH EQUIVALENTS

	2020 RM	Group 2019 RM	2020 RM	Company 2019 RM
Deposits placed with licensed banks	6,486,429	15,976,895	688,626	3,051,337
Cash and bank balances	59,832,631	32,846,250	1,650,994	1,511,591
	66,319,060	48,823,145	2,339,620	4,562,928

Deposits placed with licensed banks of the Group and of the Company comprise placements in fixed income trusts of which RM898,648 (2019: RM1,136,087) and RM609,240 (2019: RM696,245) respectively are redeemable at call whereas RM5,587,781 (2019: RM14,840,808) and RM79,386 (2019: RM2,355,092) respectively are redeemable upon 1 day notice.

These deposits are subject to interest at rates ranging from 1.12% to 2.41% (2019: 0.25% to 3.61%) per annum.



Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 16. SHARE CAPITAL

	Group and Company		Amount	
	Number of ordinary shares			
	2020	2019	2020 RM	2019 RM
Issued and fully paid	359,519,760	359,519,760	179,759,880	179,759,880

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

## 17. RESERVES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<i>Non-distributable:</i>				
Translation reserve	9,027,958	8,079,680	–	–
ESOS share option reserve	1,114,860	–	1,114,860	–
	10,142,818	8,079,680	1,114,860	–
<i>Distributable:</i>				
Retained earnings	155,106,025	136,076,162	9,390,668	8,721,005
	165,248,843	144,155,842	10,505,528	8,721,005

### Translation reserve

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

	Group	
	2020 RM	2019 RM
At beginning of financial year	8,079,680	8,830,490
Foreign currency translation during the financial year	948,278	(750,810)
At end of financial year	9,027,958	8,079,680

### Share option reserve

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

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 17. RESERVES (CONTINUED)

### Share-based payments arrangement

#### Share option programme (equity settled)

On 21 October 2020, the Company granted share options to eligible employees to purchase shares in the Company under the Employees' Share Option Scheme approved by the shareholders of the Company on 31 May 2018. In accordance with this programme, holders of vested options are entitled to purchase shares at the market price of the shares at the date of grant. The exercisable period is from 21 October 2020 to 20 October 2021.

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

Grant date/employee entitled	Number of options	Contractual life of options
Option grant to eligible employees on 21 October 2020	5,004,000	1 year
Total share options	5,004,000	

No vesting conditions for options offered.

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

	2020 Number of options
Outstanding at 1 January	–
Granted during the financial year	5,004,000
Outstanding at 31 December	5,004,000
Exercisable at 31 December	5,004,000

The options outstanding at 31 December 2020 have an exercise price at RM2.35 (2019: RM NIL) and contractual life of 1 year (2019: NIL).

No options were exercised during the financial year.

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

## 17. RESERVES (CONTINUED)

## Share-based payments arrangement (continued)

## Share option programme (equity settled) (continued)

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

	2020 RM
<b>Fair value of share options and assumptions</b>	
Fair value at grant date	0.2228
Weighted average share price	2.602
Share price at grant date	2.590
Expected volatility (weighted average volatility)	50.602%
Options life (expected weighted average life)	1 year
Expected dividends	1.799%
Risk-free interest rate (based on Malaysia Government Securities)	1.572%
Value of employee services received for issue of share options	
	<b>Group and Company 2020 RM</b>
Share options granted in 2020	1,114,860
Total expenses recognised as share-based payments	1,114,860

## 18. LOANS AND BORROWINGS

	2020 RM	Group 2019 RM
<b>Term loans</b>		
Classified as:		
- non-current liability	5,735,628	9,358,129
- current liability	9,448,927	6,398,971
	15,184,555	15,757,100
Present value of term loans		
Analysed as follows:		
- not later than 1 year	9,448,927	6,398,971
- later than 1 year but not later than 5 years	5,735,628	9,358,129
	15,184,555	15,757,100

The Group's term loans which are secured over leasehold lands and buildings of subsidiaries and subject to interest at rates ranging from 1.24% to 4.59% (2019: 3.41% to 5.00%) per annum (Notes 6, 7 and 8).

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 19. TRADE AND OTHER PAYABLES

		2020 RM	Group 2019 RM	2020 RM	Company 2019 RM
	Note				
<b>Trade</b>					
Trade payables	(a)	18,334,928	14,953,086	–	–
<b>Non-trade</b>					
Other payables	(b)	4,935,399	3,351,457	513	48,431
Accruals		21,622,619	16,542,679	110,264	100,070
		26,558,018	19,894,136	110,777	148,501
		44,892,946	34,847,222	110,777	148,501

### (a) Trade payables

- (i) Credit terms of trade payables are ranging from 30 to 60 days (2019: 30 to 60 days).
- (ii) Included in trade payables of the Group is an amount of RM1,920,157 (2019: RM4,007,508) due to companies in which certain directors have interests.

### (b) Other payables

Included in other payables of the Group is an amount of RM343,997 (2019: RM NIL) due to a corporate shareholder of a subsidiary.

## 20. REVENUE

	2020 RM	Group 2019 RM	2020 RM	Company 2019 RM
Revenue from contracts with customers	254,699,461	214,044,870	–	–
Others				
- rental of property	3,500	42,000	–	–
- dividends	–	–	12,586,995	8,134,000
	254,702,961	214,086,870	12,586,995	8,134,000

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

## 20. REVENUE (CONTINUED)

	2020 RM	Group 2019 RM	2020 RM	Company 2019 RM
Revenue from contracts with customers in primary geographical markets				
Malaysia	111,252,216	84,451,475	12,586,995	8,134,000
North America	60,436,983	54,893,242	–	–
Rest of Asia	47,477,689	44,744,380	–	–
Europe	22,288,728	19,049,847	–	–
Oceania	12,471,622	10,491,824	–	–
Africa	775,723	456,102	–	–
	254,702,961	214,086,870	12,586,995	8,134,000
<b>Timing of recognition</b>				
At a point in time	254,699,461	214,044,870	12,586,995	8,134,000
Over time	3,500	42,000	–	–
	254,702,961	214,086,870	12,586,995	8,134,000

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

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 21. OTHER INCOME

	2020 RM	Group 2019 RM
Gain on foreign exchange:		
- realised	176	557,597
- unrealised	460,000	–
Rental income	4,082,746	626,867
Other income	1,297,016	2,167,845
	5,839,938	3,352,309

## 22. FINANCE INCOME

	2020 RM	Group 2019 RM	2020 RM	Company 2019 RM
Interest income of financial assets calculated using the effective interest method that are at amortised cost:				
- intercompany	–	–	–	5,038,587
- deposits with licensed banks	467,282	489,705	60,687	191,429
	467,282	489,705	60,687	5,230,016

## 23. FINANCE COSTS

	2020 RM	Group 2019 RM	2020 RM	Company 2019 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- term loans, secured	574,817	825,674	–	–
- other bank charges	202,495	172,228	78	138
	777,312	997,902	78	138



## Notes to the Financial Statements

- 31 December 2020

(cont'd)

## 24. PROFIT BEFORE TAXATION

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Auditor's remuneration:				
- audit fee	275,506	271,887	48,000	45,000
- non-audit fee	7,000	5,000	7,000	5,000
Depreciation of investment properties	146,355	48,049	-	-
Depreciation of property, plant and equipment	16,439,901	16,405,667	-	-
Depreciation of right-of-use assets	280,608	347,190	-	-
Employees' share option scheme expenses	1,114,860	-	1,114,860	-
Fair value loss/(gain) on financial assets	201,600	(420,000)	-	-
Impairment loss on trade receivables:				
- individual impairment loss	80,619	371,427	-	-
- collective impairment loss	18,846	352,687	-	-
Impairment loss on property, plant and equipment	-	474,258	-	-
Inventories written off	661,595	744,239	-	-
Personnel expenses (including key management personnel):				
- wages, salaries and others	41,843,359	32,347,957	33,000	28,000
- contributions to state plans	2,771,237	2,933,252	-	-
Property, plant and equipment written off	297,003	-	-	-
Provision for slow moving inventories	407,322	270,497	-	-
Rental expenses (#) in respect of:				
- coldroom	432,762	177,224	-	-
- equipment	-	35,800	-	-
- hostel	91,000	64,900	-	-
Loss on foreign exchange:				
- unrealised	1,962,843	820,610	484,631	300,168
- realised	126,304	61	-	61
Gain on disposal of property, plant and equipment	(282,157)	(531,993)	-	-
Gain on disposal of investment properties	(376,977)	(993,459)	-	-
Reversal of impairment loss on trade receivables:				
- individual impairment loss	(84,024)	-	-	-
- collective impairment loss	(202,168)	-	-	-
Gain on foreign exchange:				
- unrealised	(460,000)	-	-	-
- realised	(176)	(557,597)	-	-
Rental income from:				
- investment properties	(1,296,815)	(610,382)	-	-
- office and factory	(376,461)	-	-	-
- coldroom	(2,412,971)	-	-	-
- hostel	(120,750)	(114,750)	-	-

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

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 25. TAXATION

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Current tax</b>				
<b>Malaysia</b>				
- current	2,212,485	1,385,474	–	1,126,514
- (over)/under provision in prior financial years	(38,083)	(29,176)	6,933	(1,146)
<b>Overseas</b>				
- current	418,420	246,941	–	–
- over provision in prior years	(34,558)	–	–	–
	2,558,264	1,603,239	6,933	1,125,368
<b>Deferred tax</b>				
Original and reversal of temporary differences	1,915,942	2,749,706	–	–
Over provision in prior financial years	(111,333)	(1,012,614)	–	–
	1,804,609	1,737,092	–	–
<b>Total tax expense</b>	<b>4,362,873</b>	<b>3,340,331</b>	<b>6,933</b>	<b>1,125,368</b>

### 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before taxation	32,015,393	15,354,048	9,650,725	11,674,444
Income tax calculated using Malaysian tax rate of 24% (2019: 24%)	7,683,694	3,684,972	2,316,174	2,801,867
Tax effects in respect of:				
Effect of tax rate in foreign jurisdiction	(62,090)	(21,961)	–	–
Non-deductible expenses	2,211,126	1,995,925	719,270	1,290,688
Non-taxable income	(157,823)	(967,938)	–	(967,938)
Tax exempt income	(1,012,604)	(103,901)	(3,035,444)	(1,998,103)
Reinvestment allowance incentive	(2,533,902)	–	–	–
Double deduction on qualifying expenditure	(1,062,531)	(643,307)	–	–
Effect of deferred tax assets not recognised	204,484	–	–	–
Others	(723,507)	438,331	–	–
	4,546,847	4,382,121	–	1,126,514
(Over)/Under provision:				
- current tax	(72,641)	(29,176)	6,933	(1,146)
- deferred tax	(111,333)	(1,012,614)	–	–
	4,362,873	3,340,331	6,933	1,125,368

## Notes to the Financial Statements

### - 31 December 2020

(cont'd)

#### 26. OTHER COMPREHENSIVE EXPENSE

	2020 RM	Group 2019 RM
Foreign currency translation gain/(loss) for foreign operations during the financial year	957,975	(752,364)
Less: Tax (expense)/credit	(9,697)	1,554
Net of tax	948,278	(750,810)

#### 27. EARNINGS PER ORDINARY SHARE

##### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2020 was based on the profit attributable to owners of the Company of RM28,017,858 (2019: RM12,189,784) and a weighted average number of ordinary shares outstanding of 359,519,760 (2019: 359,519,760).

##### Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2020 was based on the profit attributable to owners of the Company of RM28,017,858 and a weighted average number of ordinary shares outstanding of 360,506,850 after adjustment for the effect of dilutive potential ordinary shares relating to Employees' Share Option Scheme ("ESOS").

In 2019, there is no diluted earnings per share as the Company does not have any dilutive ordinary shares.

#### 28. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM	Date of payment
<b>2020</b>			
Interim 2020 ordinary - single tier	2.5	8,987,995	30 March 2020
<b>2019</b>			
Interim 2019 ordinary - single tier	2.5	8,987,995	29 March 2019

In respect of the financial year ending 31 December 2021, the Company declared and paid an interim single tier dividend of 3.0 sen per ordinary share totalling RM10,785,593 on 30 March 2021.

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 29. OPERATING SEGMENTS

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

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

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

### Segment assets

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

### Segment liabilities

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

### Segment capital expenditure

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

	<b>Manufacturing and trading</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<b>Group</b>		
<b>Reporting segment profit</b>	61,530,026	41,422,044
Included in the measure of segment profit are:		
- revenue from external customers	254,702,961	214,086,870
- inter-company revenue	140,929,138	122,255,715
Not included in the measure of reporting segment profit but provided to Managing Director:		
- depreciation	(16,866,864)	(16,800,906)
- finance costs	(777,312)	(6,327,155)
- finance income	467,282	5,818,958
- income tax expense	(4,381,133)	(3,334,317)
<b>Segment assets</b>		
Included in the measure of segment assets are:		
- additions to non-current assets other than financial instruments and deferred tax assets	18,275,970	21,182,957

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

## 29. OPERATING SEGMENTS (CONTINUED)

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

	2020 RM	Group 2019 RM
<b>Profit or loss</b>		
Total profit or loss for reportable segments	61,530,026	41,422,044
Elimination of inter-segment profits	(12,337,739)	(8,758,893)
Depreciation	(16,866,864)	(16,800,906)
Finance income	467,282	489,705
Finance costs	(777,312)	(997,902)
Consolidated profit before tax	32,015,393	15,354,048

	External revenue RM	Depreciation RM	Finance costs RM	Finance income RM	Segment assets RM
<b>2020</b>					
Total reportable segments	395,632,099	(16,866,864)	(777,312)	467,282	688,166,601
Elimination of inter-segment transaction or balances	(140,929,138)	–	–	–	(271,519,807)
Consolidated	254,702,961	(16,866,864)	(777,312)	467,282	416,646,794
<b>2019</b>					
Total reportable segments	336,342,585	(16,800,906)	(6,327,155)	5,818,958	629,025,193
Elimination of inter-segment transaction or balances	(122,255,715)	–	5,329,253	(5,329,253)	(245,943,453)
Consolidated	214,086,870	(16,800,906)	(997,902)	489,705	383,081,740

### Geographical segments

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

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

### Geographical information

The geographical information is shown in Note 20.

### Major customer

The Group has one (2019: one) major customer contributing revenue greater than 10% of the Group's total revenue.

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 30. FINANCIAL INSTRUMENTS

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Assets</b>				
<i>Financial assets at amortised cost</i>				
- Other investments	–	–	122,000,000	–
- Trade and other receivables	49,599,548	46,286,837	3,601,000	122,286,335
- Cash and cash equivalents	66,319,060	48,823,145	2,339,620	4,562,928
	115,918,608	95,109,982	127,940,620	126,849,263
<i>Financial assets at fair value through profit or loss</i>				
- Other investments	13,483,314	6,433,734	–	–
<b>Liabilities</b>				
<i>Financial liabilities at amortised cost</i>				
- Loans and borrowings	15,184,555	15,757,100	–	–
- Trade and other payables	44,892,946	34,847,222	110,777	148,501
	60,077,501	50,604,322	110,777	148,501

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Net gains/(losses) on:				
Financial instruments at fair value through profit or loss				
Other investments – recognised in profit or loss	49,580	519,889	–	–
Financial assets at amortised cost	(1,447,134)	(796,140)	3,174,978	4,929,650
Financial liabilities at amortised cost	(556,319)	(799,134)	–	–
	(1,953,873)	(1,075,385)	3,174,978	4,929,650



## Notes to the Financial Statements

- 31 December 2020

(cont'd)

### 31. FINANCIAL RISK MANAGEMENT

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

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

#### (a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

##### (i) Receivables

###### ***Risk management objectives, policies and processes for managing the risk***

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In response to the COVID-19 pandemic, the credit control management has also been performing more frequent credit evaluation of customers in regions and industries that are severely impacted. Normally financial guarantees given by banks, shareholders or directors of the Company are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

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

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

There are no significant changes as compared to previous year.

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

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

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

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

For significant receivables that are not individually credit-impaired and all other receivables, the Group uses a provision matrix that categorises based on ageing profiles. The collective lifetime ECLs are measured based on total outstanding trade receivables as per aged bracket multiply by probability of default. Probability of default is average of incremental rate of trade receivables over total sales.

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk (continued)

##### (i) Receivables (continued)

##### *Concentration of credit risk*

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

	2020 RM	Group 2019 RM
Malaysia	19,374,032	16,276,986
North America	14,140,693	13,435,371
Europe	4,892,178	5,568,582
Rest of Asia	7,012,209	5,420,275
Oceania	1,350,818	3,431,676
Africa	351,028	401,881
	47,120,958	44,534,771

At the end of the reporting period, the Group has no significant concentration of credit risk except for the amount due from one customer (2019: one customer) representing 14% (2019: 14%) of total trade receivables of the Group. The Group does not anticipate the carrying amount recorded at the end of each reporting period to be significantly different from the value that would eventually be received.

##### *Impairment losses*

The aging analysis of trade receivables as at the end of the reporting period was:

	Gross amount RM	Individual impairment RM	Collective impairment RM	Effect of movements in exchange rates RM	Net amount RM
<b>Group</b>					
<b>2020</b>					
Not past due	32,535,824	–	(64,486)	1,159	32,472,497
Past due 1-30 days	8,728,700	–	(40,216)	1,358	8,689,842
Past due 31-90 days	4,905,692	–	(47,659)	2,844	4,860,877
Past due more than 90 days	1,484,464	(368,022)	(17,004)	(1,696)	1,097,742
Total past due	15,118,856	(368,022)	(104,879)	2,506	14,648,461
	47,654,680	(368,022)	(169,365)	3,665	47,120,958

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

## 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit risk (continued)

## (i) Receivables (continued)

*Impairment losses (continued)*

	Gross amount RM	Individual impairment RM	Collective impairment RM	Effect of movements in exchange rates RM	Net amount RM
<b>Group 2019</b>					
Not past due	23,035,424	–	(78,427)	508	22,957,505
Past due 1-30 days	8,079,231	–	(61,742)	804	8,018,293
Past due 31-90 days	8,371,611	(19,718)	(111,689)	2,198	8,242,402
Past due more than 90 days	5,764,099	(351,709)	(100,829)	5,010	5,316,571
Total past due	22,214,941	(371,427)	(274,260)	8,012	21,577,266
	45,250,365	(371,427)	(352,687)	8,520	44,534,771

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

The allowance account is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The impairment loss as at end of reporting period was:

	2020 RM	Group 2019 RM
At 1 January	715,594	–
Impairment loss recognised:		
- Individual impairment loss	80,619	371,427
- Collective impairment loss	18,846	352,687
Impairment loss no longer required:		
- Individual impairment loss	(84,024)	–
- Collective impairment loss	(202,168)	–
Effect of movements in exchange rates	4,855	(8,520)
At 31 December	533,722	715,594

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk (continued)

##### (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 subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on an individual basis.

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

The maximum exposure to credit risk of the Company amounted to RM15,184,555 (2019: RM15,757,100) representing the outstanding loan amount of the subsidiaries at the end of the reporting period.

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

##### (iii) Inter-company loans advances

***Risk management objectives, policies and processes for managing the risk***

The Company provides unsecured advances to its subsidiaries. The Company monitors the ability of the subsidiaries to repay loans and advances on an individual basis.

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

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

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

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

***Recognition and measurement of impairment losses***

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan for advance to be credit impaired when:

- the subsidiary is unlikely to repay its loan or advance to the Company in full;
- the subsidiary's loan or advance is overdue for more than 365 days; or
- the subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

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

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

## 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit risk (continued)

## (iv) Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risk. Consequently, the Group and the Company are of the view that the loss allowances is not material and hence, it is not provided for.

## (b) Liquidity risk

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

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

## Maturity analysis

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

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Less than 1 year RM	1 - 2 years RM	2 - 5 years RM
<b>2020</b>						
<b>Group</b>						
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	15,184,555	1.24% - 4.59%	15,701,364	9,772,029	3,787,727	2,141,608
Corporate guarantees	88,639,000		88,639,000	88,639,000	-	-
Trade and other payables	44,892,946		44,892,946	44,892,946	-	-
	148,716,501		149,233,310	143,303,975	3,787,727	2,141,608
<b>Company</b>						
<i>Non-derivative financial liabilities</i>						
Corporate guarantees	88,639,000		88,639,000	88,639,000	-	-
Trade and other payables	110,777		110,777	110,777	-	-
	88,749,777		88,749,777	88,749,777	-	-

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Liquidity risk (continued)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Less than 1 year RM	1 - 2 years RM	2 - 5 years RM
<b>2019</b>						
<b>Group</b>						
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	15,757,100	3.41% - 5.00%	16,878,749	6,957,537	3,969,971	5,951,241
Corporate guarantees	96,232,500		96,232,500	96,232,500	–	–
Trade and other payables	34,847,222		34,847,222	34,847,222	–	–
	<u>146,836,822</u>		<u>147,958,471</u>	<u>138,037,259</u>	<u>3,969,971</u>	<u>5,951,241</u>
<b>Company</b>						
<i>Non-derivative financial liabilities</i>						
Corporate guarantees	96,232,500		96,232,500	96,232,500	–	–
Trade and other payables	148,501		148,501	148,501	–	–
	<u>96,381,001</u>		<u>96,381,001</u>	<u>96,381,001</u>	<u>–</u>	<u>–</u>

#### (c) Market risk

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

##### (i) Currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases and cash and cash equivalents that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United Arab Emirates Dirham ("AED"), Euro Dollar ("EURO"), British Pound Sterling ("GBP"), Renminbi ("RMB"), Singapore Dollar ("SGD"), United States Dollar ("USD") and Japanese Yen ("YEN").

##### ***Risk management objectives, policies and processes for managing the risk***

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



## Notes to the Financial Statements

- 31 December 2020

(cont'd)

## 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Market risk (continued)

## (i) Currency risk (continued)

*Exposure to foreign currency risk*

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

	AED RM	EURO RM	GBP RM	Denominated in RMB RM	SGD RM	USD RM	YEN RM
<b>2020</b>							
<b>Group</b>							
Trade and other receivables	-	-	-	733	1,383,860	1,052,399	-
Cash and cash equivalents	-	30,347	-	175,045	1,481,130	5,512,167	-
Trade and other payables	(6,363)	(118,583)	(48,330)	(163,672)	(198,951)	(976,962)	(2,692)
	(6,363)	(88,236)	(48,330)	12,106	2,666,039	5,587,604	(2,692)
<b>Company</b>							
Cash and cash equivalents	-	-	-	-	-	1,308,947	-
<b>2019</b>							
<b>Group</b>							
Trade and other receivables	-	-	-	702	738,614	1,220,837	-
Cash and cash equivalents	-	24,067	-	167,167	755,784	5,525,145	-
Trade and other payables	-	(14,156)	-	(154,341)	-	(1,054,097)	-
	-	9,911	-	13,528	1,494,398	5,691,885	-
<b>Company</b>							
Cash and cash equivalents	-	-	-	-	-	1,335,746	-

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Market risk (continued)

##### (i) Currency risk (continued)

##### *Currency risk sensitivity analysis*

A 10% (2019: 10%) strengthening of the following currencies against the Ringgit Malaysia ("RM") at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant.

	Group Profit or loss		Company Profit or loss	
	2020 RM	2019 RM	2020 RM	2019 RM
AED	(484)	—	—	—
EURO	(6,706)	753	—	—
GBP	(3,673)	—	—	—
RMB	920	1,028	—	—
SGD	202,619	113,574	—	—
USD	424,658	432,583	99,480	101,517
YEN	(205)	—	—	—
	617,129	547,938	99,480	101,517

A 10% (2019: 10%) weakening of the above currencies against the Ringgit Malaysia at the end of the reporting period would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

##### (ii) Interest rate risk

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

##### *Risk management objectives, policies and processes for managing the risk*

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

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

**Exposure to interest rate risk**

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Floating rate instruments</b>				
Financial assets	6,486,429	15,976,895	688,626	125,335,672
Financial liabilities	(15,184,555)	(15,757,100)	–	–

**Interest rate risk sensitivity analysis**

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

	Group Profit or loss		Company Profit or loss	
	100 bp increase RM	100 bp decrease RM	100 bp increase RM	100 bp decrease RM
<b>2020</b>				
Financial assets	49,297	(49,297)	5,234	(5,234)
Financial liabilities	(115,403)	115,403	–	–
<b>2019</b>				
Financial assets	121,424	(121,424)	952,551	(952,551)
Financial liabilities	(119,754)	119,754	–	–

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown above. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Market risk (continued)

##### (iii) Price risk

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

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

A 5% (2019: 5%) decrease in share price at the end of the reporting period would have decreased profit by RM19,600 (2019: RM29,680) for quoted investments classified as fair value through profit or loss. A 5% (2019: 5%) increased in share price would have had equal but opposite effect on equity and profit respectively.

#### (d) Fair value of financial instruments

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

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

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

##### (ii) Financial assets and liabilities measured at fair value

	Level 1 RM	Level 2 RM	Level 3 RM
<b>Group</b>			
<b>2020</b>			
Financial assets			
Investment in shares quoted in Malaysia	392,000	—	—
Investment in unit trust	13,091,314	—	—
<b>2019</b>			
<b>Financial assets</b>			
Investment in shares quoted in Malaysia	593,600	—	—
Investment in unit trust	5,840,134	—	—

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

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

**31. FINANCIAL RISK MANAGEMENT (CONTINUED)****(d) Fair value of financial instruments (continued)****(iii) Policy of transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**Level 1 fair value**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

**Level 2 fair value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

***Non-derivative financial liabilities***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

***Transfer between Level 1 and Level 2 fair values***

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either directions).

**Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

***Valuation processes applied by the Company for Level 3 fair value***

The Group and the Company use discounted cash flows in respect of the measurement of fair values of financial instruments. The management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 32. CAPITAL MANAGEMENT

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

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

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

	2020 RM	Group 2019 RM
Loans and borrowings	15,184,555	15,757,100
Trade and other payables	44,892,946	34,847,222
	60,077,501	50,604,322
Less: Cash and cash equivalents	(66,319,060)	(48,823,145)
Net debt	(6,241,559)	1,781,177
Equity attributable to owners of the Company	345,008,723	323,915,722
Debt-to-equity ratio	–	< 0.01

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 RM40million. The Company has complied with this requirement.

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

### 33. CAPITAL COMMITMENTS

	2020 RM	Group 2019 RM
<b>Capital expenditure commitments</b>		
<b>Property, plant and equipment</b>		
Contracted but not provided for:		
Within one year	5,197,293	2,265,575



Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 34. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by the directors of the Group and of the Company during the financial year are as follows:

		Group	Company	
Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>Executive directors</b>				
Fees	296,230	290,000	296,230	290,000
Salaries and bonuses	4,776,352	3,604,561	–	–
Defined contribution benefits	431,088	411,172	–	–
Benefits-in-kind	90,175	89,788	–	–
Meeting allowances (a)	33,000	28,000	33,000	28,000
	5,626,845	4,423,521	329,230	318,000
<b>Non-executive directors</b>				
Fees	407,883	396,000	407,883	396,000
Meeting allowances (a)	68,000	72,000	68,000	72,000
	475,883	468,000	475,883	468,000
	6,102,728	4,891,521	805,113	786,000

The number of directors of the Company whose income falls within the following bands are:

	Executive directors		Non-executive directors	
	2020 RM	2019 RM	2020 RM	2019 RM
RM150,000 and below	1	–	5	4
RM200,000 to RM500,000	–	–	–	1
RM500,001 to RM1,000,000	2	3	–	–
RM1,000,001 and above	2	1	–	–
Total	5	4	5	5

- (a) Meeting allowances vary from one director to another, depending on the number of committees they sit on and the number of meetings attended during the financial year.

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 35. 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 the Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
  - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third party and the other entity is an associate of the third party.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the Company).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

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

#### Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are shown below. The balances related to the transactions below are shown in Notes 13 and 19.

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Subsidiaries</b>				
Interest income on loans	—	—	—	5,038,587
Dividend income from investment in subsidiaries	—	—	8,987,995	8,134,000
Dividend income from other investments	—	—	3,599,000	—

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

## 35. RELATED PARTIES (CONTINUED)

## Significant related party transactions (continued)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Other related party transaction</b>				
<i>Companies in which directors of the Company have interest:</i>				
Sales of goods	23,388,551	18,735,984	–	–
<i>Companies in which persons related to directors of the Company have interest:</i>				
Sales of goods	1,040,298	1,093,719	–	–
Purchase of goods	18,116,973	19,210,743	–	–
Rental of office	300,840	27,600	–	–
Rental of coldroom	2,923	–	–	–
Rental of plant and machineries	75,621	443	–	–
Provision of transportation service	18,000	–	–	–
Plaster ceiling and partition works	42,702	75,098	–	–
<i>Corporate shareholder of a subsidiary:</i>				
Purchase of goods	–	463,120	–	–
Consultancy fees	280,299	–	–	–
Travelling fees	61,009	–	–	–
Accommodation	2,588	–	–	–
<b>Key management personnel</b>				
<i>Executive directors:</i>				
- fees	296,230	290,000	296,230	290,000
- remuneration	4,776,352	3,604,561	–	–
- defined contribution plans	431,088	411,172	–	–
- benefits-in-kind	90,175	89,788	–	–
- meeting allowances	33,000	28,000	33,000	28,000
	5,626,845	4,423,521	329,230	318,000
<i>Other key management personnel:</i>				
- short term employee benefits	5,638,484	5,118,381	–	–
- defined contribution plans	534,422	500,469	–	–
- benefits-in-kind	12,233	13,691	–	–
	6,185,139	5,632,541	–	–
Total compensation paid to key management personnel	11,811,984	10,056,062	329,230	318,000

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.

Notes to the Financial Statements  
- 31 December 2020  
(cont'd)

### 36. CONTINGENCIES

	2020 RM	Company 2019 RM
Corporate guarantees given by the Company to licensed banks for banking facilities granted to subsidiaries	88,639,000	96,232,500

### 37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The World Health Organisation declared the coronavirus disease ("COVID-19") a global pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 to 3 May 2020 and had subsequently entered into the conditional and recovery phases of the MCO until 31 December 2020 in all states and federal territories in Malaysia.

The restrictions imposed have not, however, negatively impacted the Group's financial performance as its main activities of manufacturing, trading, distributing and exporting of frozen food products were allowed to operate throughout the MCO, under the guidelines set by the National Security Council ("NSC"), Ministry of Health ("MOH") and Ministry of International Trade and Industry ("MITI") respectively.

Despite its disruption on the Group's operations, due to compliance of Standard Operating Procedure ("SOP") and control measures implemented by authorities, there is no significant financial impact during the financial year. The Group continues to maintain its strong financial resilience and optimise its operations to mitigate the impact of the pandemic.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### 38. EVENT AFTER THE REPORTING PERIOD

On 13 January 2021, the Government of Malaysia had reimposed the Movement Control Order ("MCO 2.0") in several states and all federal territories in Malaysia to curb the third wave of COVID-19 pandemic in the country. However, the Group's main business activities of manufacturing, trading, distributing and exporting of frozen food products were considered as essential services and were allowed to operate during MCO 2.0 period under the guidelines set by NSC, MOH and MITI.

As at the date of authorisation of the financial statements, the COVID-19 pandemic situation is still evolving and uncertain. The Group will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic. Nevertheless, with the Group's past focus on cost efficiency, strong cash position and the resilient fundamentals of its business, the Group expects to sustain its operational and financial performance for the financial year ending 31 December 2021.

## Notes to the Financial Statements

- 31 December 2020

(cont'd)

### 39. OTHER INFORMATION

- (a) The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.
- (b) The registered office of the Company is located at:  
  
12th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan
- (c) The principal place of business of the Company is located at:  
  
Lot 129351, Jalan Sungai Pinang 4/19  
Taman Perindustrian Pulau Indah  
Selangor Halal Hub, Fasa 2C  
42920 Pulau Indah  
Selangor Darul Ehsan
- (d) The financial statements are expressed in Ringgit Malaysia, which is also the Group's and the Company's functional currency.

### 40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 15 April 2021.

## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being two of the directors of **KAWAN FOOD BERHAD (Registration No. 200401001942 (640445-V))** do hereby state that, in the opinion of the directors, the financial statements set out on pages 88 to 156 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2020 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

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

**GAN THIAM CHAI**  
Director

Selangor

15 April 2021

**GAN THIAM HOCK**  
Director

## STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **CHAY WAI YEE**, being the officer primarily responsible for the financial management of **KAWAN FOOD BERHAD (Registration No. 200401001942 (640445-V))** do solemnly and sincerely declare that the financial statements set out on pages 88 to 156 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**CHAY WAI YEE**  
(MIA no. 11142)

Subscribed and solemnly declared  
by the abovenamed at Kuala Lumpur  
in the Federal Territory on 15 April 2021

Before me

**S. ARULSAM Y (W490)**



# INDEPENDENT AUDITORS' REPORT

To the members of Kawan Food Berhad

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of Kawan Food Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 88 to 156.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### *Basis for Opinion*

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

### *Independence and Other Ethical Responsibilities*

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

### *Key Audit Matters*

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

Independent Auditors' Report  
To the members of Kawan Food Berhad  
(cont'd)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><u>Revenue recognition</u></p> <p><i>Refer to Note 20 - Revenue</i></p> <p>Revenue recognition is a presumed fraud risk as the Group may be under pressure by external parties (i.e. expectations by shareholders and market analysts) and internal parties (i.e. performance of management). This may lead to potential misstatement of revenue.</p>	<p><u>The details of our work performed are as follows:</u></p> <ul style="list-style-type: none"> <li>• We assessed and evaluated the appropriateness of the design and implementation of controls over revenue cycle with no exception noted.</li> <li>• We performed test of operating effectiveness on the relevant controls identified within the revenue cycle with no exception noted.</li> <li>• We performed substantive testing to verify revenue transactions to respective sales invoices and acknowledged delivery orders that evidenced the transfer of risks and rewards of ownership of the goods to customers based on selected samples.</li> <li>• We verified the credit notes and sales returns issued subsequent to the year-end date to ascertain whether revenue was recognised in the correct financial period.</li> <li>• We assessed cut-off procedures implemented by management to verify revenue transactions pre and post year-end date and agreed the sales invoices and acknowledged delivery orders that evidenced the transfer of risks and rewards of ownership of goods and confirm that these transactions were recognised in the correct financial periods.</li> </ul>

### Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' report and Statement on Risk and Management Internal Controls included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

## Independent Auditors' Report

### To the members of Kawan Food Berhad

(cont'd)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### *Responsibilities of the Directors for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditors' Report  
To the members of Kawan Food Berhad  
(cont'd)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### *Auditors' Responsibilities for the Audit of the Financial Statements (continued)*

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

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

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

### **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**RSM Malaysia**  
AF: 0768  
Chartered Accountants

Kuala Lumpur

15 April 2021

**Yong Kam Fei**  
02562/07/2022 J  
Chartered Accountant

## LIST OF PROPERTIES

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
* Held under H.S. (D) No. 135852, PT129351, Mukim dan Daerah Klang, Negeri Selangor, with address at Lot 96, Section 4, Phase 2C, Selangor Halal-Hub, Pulau Indah, Selangor Darul Ehsan	Factory cum office	Leasehold interest for a term of 99 years expiring on 24 February 2097	3 years	12 October 2011	63,079.9 sq. metres/ 49,404.82 sq. metres	18 May 2018	101,910,104
* Held under H.S. (D) No. 98527, Bandar Shah Alam, Daerah Petaling, Negeri Selangor, with address at Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan	Factory cum office	Leasehold interest for a term of 99 years expiring on 6 August 2074	41 years	28 May 2004	7,337.24 sq. metres/ 6,417.91 sq. metres	23 May 2007	4,876,114
* Held under H.S. (D) 98490, P.T. No. 617, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 4, Jalan Lada Hitam 16/12A, 40000 Shah Alam, Selangor Darul Ehsan	Factory cum office	Leasehold interest for a term of 99 years expiring on 20 July 2094	31 years	28 June 1999	4,484 sq. metres/ 3,149.43 sq. metres	24 September 1990	1,605,558
* Held under H.S. (D) 98500 for P.T. No. 714, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 2A, Persiaran Kemajuan, Seksyen 16, 40000 Shah Alam, Selangor Darul Ehsan	Factory cum office	Leasehold interest for a term of 99 years expiring on 20 July 2094	31 years	25 May 2005	21,796 sq. metres/ 3,584.91 sq. metres	7 May 1990	6,537,180
* Parcel No. 2F-41C with address at 41C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	21 years	16 May 2003	67.85 sq. metres	27 March 2003	42,104
Held under Master Title H.S. (D) 56067 PT 59174 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan							

## List of Properties

(cont'd)

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. 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 the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	21 years	29 July 2003	67.85 sq.metres	27 March 2003	39,172
* Parcel No. 2F-31C with address at 31C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan  Held under Master Title H.S. (D) 56062 PT 59169 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	21 years	16 May 2003	67.85 sq. metres	27 March 2003	42,104
* Parcel No. 2B-21D with address at 21D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan  Held under Master Title H.S. (D) 56057 PT 59164 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	21 years	29 July 2003	67.85 sq. metres	27 March 2003	39,172

## List of Properties

(cont'd)

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. B3/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan  Held under Strata Title H.S. (D) 67208 Lot No. P.T. No. 65663 in the Mukim Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	20 years	21 February 2001	69.52 sq. metres	26 October 2004	37,196
* Shop Apartment Parcel No. B4/3F with address at 55-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan  Held under Strata Title H.S. (D) 67207 Lot No. P.T. No. 65652 in the Mukim Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	20 years	21 February 2001	69.52 sq. metres	26 October 2004	37,195



## List of Properties

(cont'd)

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. D4/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan  Held under Strata Title H.S. (D) 67208 Lot No. P.T. No. 65663 in the Mukim Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	20 years	21 February 2001	69.52 sq. metres	26 October 2004	37,195
* Shop Apartment Parcel No. D3/3F with address at 55-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan  Held under Strata Title H.S. (D) 67207 Lot No. P.T. No. 65652 in the Mukim Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	20 years	21 February 2001	69.52 sq. metres	26 October 2004	37,195
* Shop Apartment Parcel No. D2/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan  Held under Strata Title H.S. (D) 67208 Lot No. P.T. No. 65663 in the Mukim Klang, District of Klang, State of Selangor darul Ehsan	Shop apartment occupied as staff hostel	Freehold	20 years	21 February 2001	69.52 sq. metres	26 October 2004	37,196

## List of Properties

(cont'd)

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
** Industrial Land at 13, Kexing Road North, Nantong Economic & Technology Development Area ("NETDA"), China Held under Lot No. 03-10-(001)-338, Land Registry No. 35.45-92.10	Factory cum office	Leasehold interest for a term of 50 years expiring on 25 December 2056	11 years	26 December 2006	40,773.90 sq. metres/16,000 sq. metres	N/A	17,692,554

\* Held under Kawan Food Manufacturing Sdn Bhd

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

# ANALYSIS ON SHAREHOLDINGS

As per record of depositors as at 31 March 2021

Issued Share Capital : RM 179,759,880.00 comprising 359,519,760 ordinary shares  
 Class of Shares : Ordinary Shares  
 Voting Rights : One (1) vote per Ordinary Share

## DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	213	3.99	5,664	0.00
100 - 1,000	1,709	31.99	947,845	0.26
1,001 - 10,000	2,458	46.01	10,705,414	2.98
10,001 - 100,000	808	15.12	23,671,973	6.58
100,001 to less than 5% of issued shares	151	2.83	148,923,482	41.42
5% and above of issued shares	3	0.06	175,265,382	48.76
<b>Total</b>	<b>5,342</b>	<b>100.00</b>	<b>359,519,760</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

as per Register of Substantial Shareholders as at 31 March 2021

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	87,945,148	24.46	9,464,149*	2.63
2. VG Trustee Limited (as Trustee of the Narvee Foundation)	72,614,200	20.20	—	—
3. Gan Thiam Hock	22,462,133	6.25	1,546,300**	0.43
4. Kwan Sok Kay	17,724,405	4.93	9,464,149*	2.63
5. Nareshchandra Gordhandas Nagrecha	3,250,000	0.90	72,614,200***	20.20

\* Deemed interested in the shares by virtue of Section 59 of the Companies Act 2016 ("the Act"), held through his/her children, namely Gan Ka Bien, Gan Ka Hui and Gan Ka Ooi who holds 4,013,849, 2,700,300 and 2,750,000 ordinary shares respectively, representing a total of 2.632% in the shareholdings of the Company.

\*\* Deemed interested in the shares by virtue of Section 59 of the Act, held through his children, namely Gan Meng Hoi, Gan Meng Yeow, Gan Meng Hoo and Gan Kha Yee who holds 444,000, 344,000, 344,300, 344,000 ordinary shares respectively and his spouse, Lam Saw Kuan who holds 70,000 ordinary shares representing a total of 0.43% in the shareholdings of the Company.

\*\*\* Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Narvee Foundation.

## Analysis on Shareholdings

As per record of depositors as at 31 March 2021

(cont'd)

## STATEMENT OF DIRECTORS' SHAREHOLDINGS

as per Register of Directors' shareholdings as at 31 March 2021

Name of Directors	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	87,945,148	24.46	9,464,149*	2.63
2. Kwan Sok Kay	17,724,405	4.93	9,464,149*	2.63
3. Gan Thiam Hock	22,462,133	6.25	1,546,300**	0.43
4. Gan Ka Bien	4,013,849	1.12	—	—
5. Lim Hun Soon @ David Lim	7,637,028	2.12	—	—
6. Abdul Razak Bin Shakor	—	—	—	—
7. Dr Nik Ismail Bin Nik Daud	—	—	—	—
8. Eugene Hon Kah Weng	—	—	—	—

\* Deemed interested in the shares by virtue of Section 59 of the Act, held through his/her children, namely Gan Ka Bien, Gan Ka Hui and Gan Ka Ooi who holds 4,013,849, 2,700,300 and 2,750,000 ordinary shares respectively, representing a total of 2.632% in the shareholdings of the Company.

\*\* Deemed interested in the shares by virtue of Section 59 of the Act, held through his children, namely Gan Meng Hoi, Gan Meng Yeow, Gan Meng Hoo and Gan Kha Yee who holds 444,000, 344,000, 344,300, 344,000 ordinary shares respectively and his spouse, Lam Saw Kuan who holds 70,000 ordinary shares representing a total of 0.43% in the shareholdings of the Company.

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

as at 31 March 2021

No.	Name of Shareholders	No. of Shares	%
1.	Gan Thiam Chai	80,617,582	22.42
2.	Maybank Securities Nominees (Asing) Sdn Bhd Exempt AN for VG Trustee Limited (Narvee F'dation)	72,614,200	20.20
3.	Gan Thiam Hock	22,033,600	6.13
4.	Kwan Sok Kay	14,163,405	3.94
5.	Wu, Meng-Che	10,230,000	2.85
6.	Amanahraya Trustees Berhad Public Strategic Smallcap Fund	7,613,466	2.12
7.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Gan Thiam Chai (PB)	7,327,566	2.04
8.	Lim Hun Soon @ David Lim	7,317,028	2.04
9.	Kong Poh Yin	5,456,500	1.52
10.	Kumpulan Wang Persaraan (Diperbadankan)	4,707,933	1.31
11.	HLIB Nominees (Asing) Sdn Bhd Hong Leong Bank Bhd for Wu Chung Chen	4,520,000	1.26

Analysis on Shareholdings  
As per record of depositors as at 31 March 2021  
(cont'd)

**LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)**

as at 31 March 2021

No.	Name of Shareholders	No. of Shares	%
12.	Gan Ka Bien	4,013,849	1.12
13.	Kwan Sok Kay	3,561,000	0.99
14.	Amanahraya Trustees Berhad <i>PB Smallcap Growth Fund</i>	3,376,766	0.94
15.	Nareshchandra Gordhandas Nagrecha	3,250,000	0.90
16.	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt AN for UBS AG Singapore (Foreign)</i>	3,217,500	0.89
17.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chen Tsai Tien</i>	2,792,466	0.78
18.	Amanahraya Trustees Berhad ASN Equity 2	2,782,300	0.77
19.	Gan Ka Ooi	2,750,000	0.76
20.	Gan Ka Hui	2,700,300	0.75
21.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chiang Peter</i>	2,604,000	0.72
22.	Amanahraya Trustees Berhad Public Islamic Growth Balanced Fund	2,399,533	0.67
23.	Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Shah Kamal Kant Zaverchand</i>	2,168,382	0.60
24.	Amanahraya Trustees Berhad PB Growth Fund	2,117,366	0.59
25.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Wu Chia Lung</i>	2,051,682	0.57
26.	Amanahraya Trustees Berhad <i>Public Select Treasures Equity Fund</i>	1,987,400	0.55
27.	Amanahraya Trustees Berhad <i>Public Islamic Emerging Opportunities Fund</i>	1,871,200	0.52
28.	Amanahraya Trustees Berhad ASN Equity 5	1,781,600	0.50
29.	Maybank Nominees (Tempatan) Sdn Bhd <i>Etiqa Life Insurance Berhad (Prem Equity)</i>	1,435,000	0.40
30.	Lam Kai Chen	1,160,000	0.32
	<b>Total</b>	<b>284,621,624</b>	<b>79.17</b>

## NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Seventeenth Annual General Meeting (“17th AGM”) of Kawan Food Berhad will be conducted virtually for the purpose of considering and if thought fit, passing with or without modifications the resolutions setting out in this notice.

Meeting Platform : <https://tiih.online>  
 Day and Date : Thursday, 10 June 2021  
 Time : 10.30 a.m.  
 Broadcast Venue : Tricor Business Centre, Manuka 2 & 3 Meeting Room Unit 29-01, Level 29, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8 Jalan Kerinchi 59200 Kuala Lumpur, Wilayah Persekutuan

Mode of Communication : Shareholders may submit questions to the Board of Directors prior to the 17th AGM via Tricor’s TIIH Online website at <https://tiih.online> by selecting “e-Services” to login, pose questions and submit electronically not later than 10.30 a.m. on Tuesday, 8 June 2021 or to use the query box to transmit questions to Board of Directors via Remote Participation and Voting (“RPV”) facilities during live streaming

### AGENDA

#### AS ORDINARY BUSINESS

- |   |  |
|---|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. | <b>Please refer to Note 1 of the Explanatory Notes</b> |
| 2. To approve the Directors’ fees and benefits payable to the Directors of the Company of up to RM1 Million for the financial year ending 31 December 2021.   | <b>Ordinary Resolution 1</b>                           |
| 3. To re-elect the following Directors who are retiring under Clause 115(1) of the Constitution of the Company:   |  |
| (i) Gan Thiam Chai  | <b>Ordinary Resolution 2</b>                           |
| (ii) Gan Thiam Hock   | <b>Ordinary Resolution 3</b>                           |
| 4. To re-elect the following Director who is retiring under Clause 122 of the Constitution of the Company:  |  |
| (i) Gan Ka Bien   | <b>Ordinary Resolution 4</b>                           |
| 5. To re-appoint Messrs. RSM Malaysia as Auditors of the Company and to authorise the Directors to fix their remuneration.                                    | <b>Ordinary Resolution 5</b>                           |

#### AS SPECIAL BUSINESS

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

- |  |                              |
|--|------------------------------|
| 6. Proposed Renewal of Shareholders’ Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with the following related parties (“Proposed Renewal of Shareholders’ Mandate”): |                              |
| (i) Shana Foods Limited and Rubicon Food Products Limited  | <b>Ordinary Resolution 6</b> |
| (ii) MH Delight Sdn Bhd  | <b>Ordinary Resolution 7</b> |
| (iii) Hot & Roll Sdn Bhd   | <b>Ordinary Resolution 8</b> |

## Notice of the Seventeenth Annual General Meeting

(cont'd)

(Collectively referred to as “Related Parties”)

**“THAT** approval be and is hereby given to the Company, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as “Recurrent Transactions”) with the above Related Parties as stated in Section 2.4 of the Circular to Shareholders dated 30 April 2021 which are necessary for the Company’s day-to-day operations subject further to the following:

- (i) the Recurrent Transactions contemplated are in the ordinary course of business and on terms which are not more favourable to Related Parties than those generally available to the public, and are not to the detriment of the minority shareholders;
- (ii) the approval is subject to annual renewal and shall only continue to be in force until:
  - (a) the conclusion of the next AGM of the Company following the forthcoming AGM of the Company at which the Proposed Renewal of Shareholders’ Mandate is approved, at which time it will lapse unless by a resolution passed at the AGM the mandate is again renewed;
  - (b) the expiration of the period within which the next AGM of the Company after the date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (“Act”) (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier; and

- (iii) the disclosure of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed Renewal of Shareholders’ Mandate in the Annual Report of the Company based on the following information:
  - (a) the type of Recurrent Transactions entered into; and
  - (b) the names of the Related Parties involved in each type of the Recurrent Transactions entered into and their relationship with the Company.

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



## Notice of the Seventeenth Annual General Meeting

(cont'd)

7. Authority under Section 75 and 76 of the Act for the Directors to allot and issue shares

**“THAT** pursuant to Section 75 and 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next AGM of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at the time of issue, subject to the Constitution of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue.”

### Ordinary Resolution 9

8. Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

**“THAT** subject to the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits as at 31 December 2020 to purchase such amount of ordinary shares in the Company (“Proposed Renewal of Share Buy-Back Authority”) as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company.

**THAT** an amount not exceeding the Company’s retained profits be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.

**THAT** authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 127 of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them.

**THAT** the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:-

- (i) the conclusion of the next AGM of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

## Notice of the Seventeenth Annual General Meeting

(cont'd)

whichever occurs first, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

**AND THAT** the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Share Buy-Back Authority as may be agreed or allowed by any relevant governmental and/or regulatory authority.”

### Ordinary Resolution 10

9. To transact any other business for which due notice shall have been given.

#### BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)  
SSM PC No.: 202008001023

TAI YUEN LING (LS 0008513)  
SSM PC No.: 202008001075

Company Secretaries  
Kuala Lumpur

Date: 30 April 2021

#### EXPLANATORY NOTES:

##### 1. To receive the Audited Financial Statements

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

##### 2. Ordinary Resolutions 6, 7 & 8 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolutions 6, 7 & 8 proposed, if passed, will empower the Directors from the date of the 17th AGM, to deal with the related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations. These recurrent related party transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public and not to the detriment of the minority shareholders.

This authority unless revoked or varied at a general meeting, will expire at the next AGM of the Company and subject always to provision (ii) of the resolution.

For further information on Ordinary Resolutions 6, 7 & 8 please refer to the Circular to Shareholders dated 30 April 2021 accompanying the Annual Report of the Company for the financial year ended 31 December 2020.

## Notice of the Seventeenth Annual General Meeting

(cont'd)

### 3. Ordinary Resolution 9 - Authority under Section 75 and 76 of the Act for the Directors to allot and issue shares

The Ordinary Resolution 9 proposed under item 7 of the Agenda seeks the shareholders' approval of a general mandate for issuance of shares by the Company under Section 75 and 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for purpose of funding the working capital or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

The Company did not allot and issue any shares pursuant to the general mandate granted by the shareholders at the previous AGM.

### 4. Ordinary Resolution 10 - Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

The proposed Ordinary Resolution 10, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. The authority will, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company is required by law to be held.

For further information on Ordinary Resolution 10, please refer to the Statement to Shareholders dated 30 April 2021 accompanying the Annual Report of the Company for the financial year ended 31 December 2020.

#### Notes:

1. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the Meeting to be at the main venue of the meeting. **No shareholders/proxy(ies)** from the public will be physically present at the Broadcast venue.*

*Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 17th AGM using the Remote Participation and Voting facilities ("RPV") provided by the Special Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at <https://tiih.online>.*

**Please read these Notes carefully and follow the procedures in the Administrative Details on 17th AGM in order to participate remotely via RPV.**

2. *For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 2 June 2021**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.*
3. *A member entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.*
4. *A Member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

## Notice of the Seventeenth Annual General Meeting (cont'd)

5. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
6. *A member who has appointed a proxy or attorney or authorised representative to participate at the 17th AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Administrative Details on 17th AGM.*
7. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:*
  - a. *In hard copy form*  
***In the case of an appointment made in hard copy form, the proxy form must be deposited with the Special Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.***
  - b. *By electronic means*  
***The proxy form can be electronically lodged with the Special Registrar of the Company via TIIH Online at <https://tiih.online>. Kindly refer to the Administrative Details on the procedures for electronic lodgement of proxy form via TIIH Online.***
8. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*
9. *Last date and time for lodging the proxy form is **Tuesday, 8 June 2021 at 10.30 a.m.***
10. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Special Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
11. *For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Special Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:*
  - a. *If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.*
  - b. *If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:*
    - i. *at least two (2) authorised officers, of whom one shall be a director; or*
    - ii. *any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.*

## Notice of the Seventeenth Annual General Meeting

(cont'd)

12. Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in the notice of any general meeting will be put to vote by poll.

### **Personal data privacy:**

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

## ADMINISTRATIVE DETAILS

### ANNUAL GENERAL MEETING (“17<sup>TH</sup> AGM”)

Date : Thursday, 10 June 2021  
 Time : 10.30 a.m.  
 Broadcast Venue : Tricor Business Centre  
 Manuka 2 & 3 Meeting Room  
 Unit 29-01, Level 29, Tower A Vertical Business Suite  
 Avenue 3, Bangsar South, No. 8, Jalan Kerinchi  
 59200 Kuala Lumpur, Malaysia

#### Precautionary Measures Against the Coronavirus Disease (“COVID-19”)

- The Securities Commission Malaysia (“SC”) had, on 13 January 2021, announced that capital market entities supervised, licensed or registered by the SC shall operate in accordance with the applicable Standard Operating Procedures (“SOPs”) issued by the authorities during the Emergency Ordinance and various forms of Movement Control Order (“MCO”). The SC had, on 12 January 2021, issued a revised Guidance Note on the Conduct of General Meetings for Listed Issuers (“SC Guidance Note”) which states that only fully virtual meetings will be allowed during MCO and Conditional MCO, subject to the requirements under the prevailing and applicable SOPs.
- In line with the Government’s directive and SC Guidance Note above to curb the spread of COVID-19, the Company will conduct the 17th AGM on **a virtual basis through live streaming and online remote voting** via Remote Participation and Voting (“RPV”) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd’s (“Tricor”) **TIIH Online** website at <https://tiih.online>.
- The venue of the 17th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue of the meeting. No shareholders/proxy(ies) from the public will be physically present at the meeting venue.
- We **strongly encourage** you to attend the 17th AGM via the RPV facilities. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 17th AGM.
- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 17th AGM at short notice. Kindly check the Company’s website or announcements for the latest updates on the status of the 17th AGM.
- The Company will continue to observe the guidelines issued by the Ministry of Health and will take all relevant precautionary measures as advised.

#### Remote Participation and Voting

- The RPV facilities are available on Tricor’s TIIH Online website at <https://tiih.online>.
- Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, “participate”) remotely at the AGM using RPV facilities from Tricor.
- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

#### Procedures to Remote Participation and Voting via RPV Facilities

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 17th AGM using the RPV facilities:

## Administrative Details Annual General Meeting (“17<sup>th</sup> AGM”)

(cont’d)

### Before the 17th AGM Day

Procedure	Action
i Register as a user with TIIH Online (applicable for individual shareholders only)	<ul style="list-style-type: none"> <li>Using your computer, access to website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the “e-Services”, select “<b>Create Account by Individual Holder</b>”. Please refer to the tutorial guide posted on the homepage for assistance.</li> <li>Registration as a user will be approved within one (1) working day and you will be notified via e-mail.</li> <li>Please allow sufficient time for approval of new user of TIIH Online.</li> <li>If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail from Tricor to notify you that the remote participation for the 17th AGM is available for registration at TIIH Online.</li> </ul>
ii Submit your request to attend 17th AGM remotely	<ul style="list-style-type: none"> <li>Registration is open from Friday, 30 April 2021 until the day of 17th AGM Thursday, 10 June 2021. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 17th AGM to ascertain their eligibility to participate the 17th AGM using the RPV.</li> <li>Login with your user ID and password and select the corporate event: <b>(Registration) KAWAN 17th AGM</b></li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select “Register for Remote Participation and Voting”.</li> <li>Review your registration and proceed to register.</li> <li>System will send an <b>e-mail to notify</b> that your registration for remote participation is received and will be verified.</li> <li>After verification of your registration against the Record of Depositors as at 2 June 2021, the TIIH system will, on or after 8 June 2021, send you an <b>e-mail to approve or reject</b> your registration for remote participation.</li> </ul> <p><i>(Note: Please ensure to allow sufficient time required for the approval as a new user of TIIH Online as well as the registration for RPV in order that you can login to TIIH Online and participate the 17th AGM remotely).</i></p>

### On the 17th AGM Day

Procedure	Action
i. Login to TIIH Online	<ul style="list-style-type: none"> <li>Login with your user ID and password for remote participation at the 17th AGM at any time from 10.00 a.m. i.e. 30 minutes before the commencement of meeting at 10.30 a.m. on Thursday, 10 June 2021.</li> </ul>
ii. Participate through Live Streaming	<ul style="list-style-type: none"> <li>Select the corporate event: <b>(Live Stream Meeting) KAWAN 17th AGM</b> to engage in the proceedings of the 17th AGM remotely.</li> <li>If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the 17th AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.</li> <li>Take note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.</li> </ul>



## Administrative Details Annual General Meeting (“17<sup>th</sup> AGM”) (cont’d)

### On the 17th AGM Day (continued)

Procedure	Action
iii. Online remote voting	<ul style="list-style-type: none"> <li>Voting session commences from 10:30 a.m. on Thursday, 10 June 2021 until a time when the Chairman announces the end of the session.</li> <li>Select the corporate event: <b>(Remote Voting) KAWAN 17th AGM</b> or if you are on the live stream meeting page, you can select “<b>GO TO REMOTE VOTING PAGE</b>” button below the Query Box.</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select the CDS account that represents your shareholdings.</li> <li>Indicate your votes for the resolutions that are tabled for voting.</li> <li>Confirm and submit your votes.</li> </ul>
iv. End of remote participation	<ul style="list-style-type: none"> <li>Upon the announcement by the Chairman on the conclusion of the 17th AGM, the Live Streaming will end.</li> </ul>

### Note to users of the RPV facilities:

- Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
- The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to [tiih.online@my.tricorglobal.com](mailto:tiih.online@my.tricorglobal.com) for assistance.

### Entitlement to Participate and Appointment of Proxy

- Only members whose names appear on the Record of Depositors as at 2 June 2021 shall be eligible to attend, speak and vote at the 17th AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her behalf.
- In view that the 17th AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.
- If you wish to participate in the 17th AGM yourself, please do not submit any Form of Proxy for the 17th AGM. You will not be allowed to participate in the 17th AGM together with a proxy appointed by you.
- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 17th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Tuesday, 8 June 2021 at 10.30 a.m.**

(a) In Hard copy:

- (i) By hand or post: to the office of the Special Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur;
- (ii) By fax at 03-2783 9222 or e-mail to [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)

## Administrative Details Annual General Meeting (“17<sup>th</sup> AGM”)

(cont’d)

(b) By Electronic form:

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
<b>1. Steps for Individual Shareholders</b>	
Register as a User with TIIH Online	<ul style="list-style-type: none"> <li>Using your computer, please access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the “e-Services”. Please refer to the tutorial guide posted on the homepage for assistance.</li> <li>If you are already a user with TIIH Online, you are not required to register again.</li> </ul>
Proceed with submission of form of proxy	<ul style="list-style-type: none"> <li>After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.</li> <li>Select the corporate event: <b>KAWAN 17th AGM-“Submission of Proxy Form”</b>.</li> <li>Read and agree to the Terms and Conditions and confirm the Declaration.</li> <li>Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.</li> <li>Appoint your proxy/(ies) and insert the required details of your proxy/(ies) or appoint Chairman as your proxy.</li> <li>Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes.</li> <li>Review and confirm your proxy(s) appointment.</li> <li>Print the form of proxy for your record.</li> </ul>
<b>2. Steps for corporation or institutional shareholders</b>	
Register as a User with TIIH Online	<ul style="list-style-type: none"> <li>Access TIIH Online at <a href="https://tiih.online">https://tiih.online</a></li> <li>Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects <b>“Create Corporate Holder Account”</b>.</li> <li>Complete the registration form and upload the required documents.</li> <li>Registration will be verified, and you will be notified by email within 1 to 2 working days.</li> <li>Proceed to activate your account with the temporary password given in the email and re-set your own password.</li> </ul> <p>Note: The representative of a corporation or institutional shareholder must register as a user first in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Special Registrar if you need clarifications on the user registration.</p>
Proceed with submission of form of proxy	<ul style="list-style-type: none"> <li>Login to TIIH Online at <a href="https://tiih.online">https://tiih.online</a></li> <li>Select the corporate event: “KAWAN 17th AGM: Submission of Proxy Form”</li> <li>Read and Agree to the Terms &amp; Conditions and Declaration.</li> <li>Proceed to download the file format for “Submission of Proxy Form” in accordance with the Guidance Note set therein.</li> <li>Prepare the file for the appointment of proxies by inserting the required data.</li> <li>Submit the proxy appointment file</li> <li>Login to TIIH Online, select corporate event: “KAWAN 17th AGM: Submission of Proxy Form”</li> <li>Proceed to upload the duly completed proxy appointment file.</li> <li>Select “Submit” to complete your submission.</li> <li>Print the confirmation report of your submission for your record.</li> </ul>

## Administrative Details Annual General Meeting (“17<sup>th</sup> AGM”) (cont’d)

### POLL VOTING

The voting at the 17th AGM will be conducted by poll in accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).

Shareholders or proxy(es) or corporate representative(s) or attorney(s) can proceed to vote on the resolutions at any time from the commencement of the 17th AGM at 10.30 a.m. on Thursday, 10 June 2021 but before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to item (e) of the above Procedures for RPV for guidance on how to vote remotely from TIIH Online website at <https://tiih.online>.

Upon completion of the voting session for the 17th AGM, the Scrutineers will verify the poll results followed by the Chairman’s declaration whether the resolutions are duly passed.

### PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions for the Board in advance of the 17th AGM via Tricor’s TIIH Online website at <https://tiih.online> by selecting “e-Services” to login, pose questions and submit electronically no later than Tuesday, 8 June 2021 at 10.30 a.m.. The Board will endeavor to answer the questions received at the AGM.

### DOOR GIFT/FOOD VOUCHER

There will be no door gifts or food vouchers for attending the 17th AGM.

### NO RECORDING OR PHOTOGRAPHY

Unauthorized recording and photography are strictly prohibited at the 17th AGM.

### ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

#### **Tricor Investor & Issuing House Services Sdn. Bhd.**

General Line : +603-2783 9299  
 Fax Number : +603-2783 9222  
 Email : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)  
 Contact persons : Encik Ahmad Syafiq bin Shaharuddin  
                             Encik Zulhafri bin Abdul Rahman

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**KAWAN FOOD BERHAD**  
<http://www.kawanfood.com>  
 Registration No. 200401001942 (640445-V)  
 (Incorporated in Malaysia)

No. of Shares	
CDS account No.	

## PROXY FORM

I/We, ..... (NRIC No./Company No. .... )  
 of .....  
 and telephone no ..... being a member of KAWAN FOOD BERHAD hereby appoint  
 ..... (NRIC No. .... )  
 of ..... or and him/her, .....  
 (NRIC No. .... ) of .....  
 or failing \*him/her, THE CHAIRMAN OF THE MEETING as \*my/our proxy(ies) to vote for \*me/us on \*my/our behalf at the Seventeenth Annual General Meeting ("17th AGM") of the Company which will be conducted entirely through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia ("Broadcast Venue") on Thursday, 10 June 2021 at 10.30 a.m. and at any adjournment thereof. \*I/We indicate with an "X" in the spaces below how \*I/We wish \*my/our vote to be cast.

NO	RESOLUTIONS		FOR	AGAINST
1.	To approve the Directors' fees and benefits payable to the Directors of the Company of up to RM1 Million for the financial year ending 31 December 2021	Ordinary Resolution 1		
2.	Re-election of Gan Thiam Chai	Ordinary Resolution 2		
3.	Re-election of Gan Thiam Hock	Ordinary Resolution 3		
4.	Re-election of Gan Ka Bien	Ordinary Resolution 4		
5.	Re-appointment of Messrs. RSM Malaysia as Auditors of the Company and to authorise the Directors to fix their remuneration	Ordinary Resolution 5		
6.	Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with Shana Foods Limited and Rubicon Food Products Limited	Ordinary Resolution 6		
7.	Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with MH Delight Sdn Bhd	Ordinary Resolution 7		
8.	Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with Hot & Roll Sdn Bhd	Ordinary Resolution 8		
9.	Authority under Section 75 and 76 of the Companies Act, 2016 for the Directors to allot and issue shares	Ordinary Resolution 9		
10.	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares	Ordinary Resolution 10		

Subject to the abovestated voting instructions, \*my/our proxy may vote or abstain from voting on any resolutions as \*he/\*she/\*they may think fit.

\* to delete where applicable

\* please delete the words "THE CHAIRMAN OF THE MEETING" if you wish to appoint other person(s) to be your proxy/proxies.

The proportion of my/our shareholdings to be represented by \*my/our proxies are as follows: -

First Proxy	%
Second Proxy	%
	<u>100%</u>



If appointment of proxy is under hand  ..... Signed by *individual member/*officer or attorney of member/*authorised nominee of ..... (beneficial owner)	No of shares held:..... ..... Securities Account No:..... ..... (CDS Account No.) (Compulsory) Date :	The proportions of my/our holding to be represented by my/our proxies are as follows: -  First Proxy No. of Shares: .....  Percentage: ..... % *in favour of/against the resolution
If appointment of proxy is under seal  The Common Seal of ..... ..... was hereto affixed in accordance with its Constitution in the presence of:-  ..... Director      Director/Secretary  in its capacity as *member/*attorney of member/ *authorised nominee of ..... (beneficial owner)	Seal     No of shares held: .....  Securities Account No: ..... ..... (CDS Account No.) (Compulsory)  Date:	Second Proxy No. of Shares: .....  Percentage: ..... % *in favour of/against the resolution

\_\_\_\_\_  
Signature/Common Seal

Date: \_\_\_\_\_

Contact No.: \_\_\_\_\_

#### IMPORTANT NOTES:

1. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the Meeting to be at the main venue of the meeting. **No shareholders/proxy(ies)** from the public will be physically present at the Broadcast venue.

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 17th AGM using the Remote Participation and Voting facilities ("RPV") provided by the Special Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. via its **TIIH Online** website at <https://tiih.online>.

**Please read these Notes carefully and follow the procedures in the Administrative Details on 17th AGM in order to participate remotely via RPV.**

2. For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 2 June 2021**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.
3. A member entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
4. A Member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
6. A member who has appointed a proxy or attorney or authorised representative to participate at the 17th AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Administrative Details on 17th AGM.
7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
  - a. In hard copy form  
**In the case of an appointment made in hard copy form, the proxy form must be deposited with the Special Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.**
  - b. By electronic means  
**The proxy form can be electronically lodged with the Special Registrar of the Company via TIIH Online at <https://tiih.online>. Kindly refer to the Administrative Details on the procedures for electronic lodgement of proxy form via TIIH Online.**
8. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
9. Last date and time for lodging the proxy form is **Tuesday, 8 June 2021 at 10.30 a.m.**
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Special Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Special Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:
  - a. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
  - b. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:
    - i. at least two (2) authorised officers, of whom one shall be a director; or
    - ii. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
12. Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in the notice of any general meeting will be put to vote by poll.

#### **Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 30 April 2021.



Fold This Flap For Sealing

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AFFIX  
STAMP

**The Special Registrar**  
**TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN. BHD.**  
Registration No.:197101000970 (11324-H)  
  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Malaysia

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[www.kawanfood.com](http://www.kawanfood.com)



**KAWAN FOOD BERHAD**

200401001942 (640445-V)  
(Incorporated in Malaysia)

Lot 129351, Jalan Sungai Pinang 4/19  
Taman Perindustrian Pulau Indah  
Selangor Halal Hub, Fasa 2C  
42920 Pulau Indah  
Selangor Darul Ehsan, Malaysia

**T** +603-3099 1188 **F** +603-3099 1028

**Sales & Marketing** +603-5511 8388 **E** [info@kawanfood.com](mailto:info@kawanfood.com)

