

KAWAN FOOD BERHAD
(Company No: 640445-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Comprehensive Income
For the Three Months Ended 31 March 2010 - Unaudited

	Note	3 months ended		3 months ended	
		31.3.2010	31.3.2009	31.3.2010	31.3.2009
		RM	RM	RM	RM
			(restated)		(restated)
Revenue	A8	23,213,832	20,977,794	23,213,832	20,977,794
Cost of sales		(12,903,048)	(11,658,976)	(12,903,048)	(11,658,976)
Gross profit		<u>10,310,784</u>	<u>9,318,818</u>	<u>10,310,784</u>	<u>9,318,818</u>
Other income		236,913	74,078	236,913	74,078
Selling & distribution expenses		(3,245,028)	(3,434,212)	(3,245,028)	(3,434,212)
Administrative expenses		(2,691,786)	(1,928,023)	(2,691,786)	(1,928,023)
Finance costs		(141,636)	(152,202)	(141,636)	(152,202)
Profit before tax		<u>4,469,247</u>	<u>3,878,459</u>	<u>4,469,247</u>	<u>3,878,459</u>
Income tax expense	B5	(1,267,937)	(975,512)	(1,267,937)	(975,512)
Profit for the period		<u><u>3,201,310</u></u>	<u><u>2,902,947</u></u>	<u><u>3,201,310</u></u>	<u><u>2,902,947</u></u>
Other comprehensive income, net of tax					
Exchange differences on translation of foreign operations		(1,094,835)	874,392	(1,094,835)	874,392
Other comprehensive (loss)/income, net of tax		<u>(1,094,835)</u>	<u>874,392</u>	<u>(1,094,835)</u>	<u>874,392</u>
Total comprehensive income for the period		<u><u>2,106,475</u></u>	<u><u>3,777,339</u></u>	<u><u>2,106,475</u></u>	<u><u>3,777,339</u></u>
Profit attributable to:					
Owners of the company		3,205,570	2,914,099	3,205,570	2,914,099
Non-controlling interest		(4,260)	(11,152)	(4,260)	(11,152)
Profit for the period		<u><u>3,201,310</u></u>	<u><u>2,902,947</u></u>	<u><u>3,201,310</u></u>	<u><u>2,902,947</u></u>
Total comprehensive income attributable to:					
Owners of the company		2,110,735	3,788,491	2,110,735	3,788,491
Non-controlling interest		(4,260)	(11,152)	(4,260)	(11,152)
Total comprehensive income for the period		<u><u>2,106,475</u></u>	<u><u>3,777,339</u></u>	<u><u>2,106,475</u></u>	<u><u>3,777,339</u></u>
Earning per share					
Basic earnings per ordinary share (sen)	B14	2.67	2.43	2.67	2.43

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

KAWAN FOOD BERHAD
(Company No: 640445-V)
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Condensed Consolidated Statement of Financial Position
As at 31 March 2010 - unaudited

	As at 31.3.2010 RM	As at 31.12.2009 RM (restated)
Assets		
Property, plant and equipment	64,110,685	66,398,547
Investment property	924,114	929,807
Deferred tax assets	89,468	100,043
Intangible asset	204,230	204,230
Total non-current assets	<u>65,328,497</u>	<u>67,632,627</u>
Inventories	4,893,872	5,575,501
Trade and other receivables	20,690,167	17,877,462
Tax recoverable	1,033,827	1,357,303
Derivative financial instrument	1,004,130	-
Cash and cash equivalents	18,804,725	16,626,907
Total current assets	<u>46,426,721</u>	<u>41,437,173</u>
Total assets	<u><u>111,755,218</u></u>	<u><u>109,069,800</u></u>
Equity		
Share capital	60,000,000	60,000,000
Reserves	23,783,489	23,113,124
Total equity attributable to owners of the company	<u>83,783,489</u>	<u>83,113,124</u>
Non-controlling interest	-	4,260
Total equity	<u>83,783,489</u>	<u>83,117,384</u>
Liabilities		
Long term borrowings	5,542,426	5,993,038
Deferred tax liabilities	1,935,645	1,935,645
Total non-current liabilities	<u>7,478,071</u>	<u>7,928,683</u>
Trade and other payables	16,500,829	15,637,437
Short term borrowings	1,991,277	2,048,580
Dividend payable	1,680,000	-
Taxation	321,552	337,716
Total current liabilities	<u>20,493,658</u>	<u>18,023,733</u>
Total liabilities	<u>27,971,729</u>	<u>25,952,416</u>
Total equity and liabilities	<u><u>111,755,218</u></u>	<u><u>109,069,800</u></u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Changes in Equity
For the Three Months Ended 31 March 2010 - Unaudited

	<-----Attributable to owners of the company----->					
	<----Non-distributable---->			Distributable		
	Share Capital RM	Foreign Currency Exchange Reserve RM	Retained Profits RM	Total RM	Non- Controlling Interest RM	Total Equity RM
At 1 January 2010	60,000,000	1,173,419	21,939,705	83,113,124	4,260	83,117,384
Effect of applying FRS 139	-	-	239,630	239,630	-	239,630
Restated balance						
Total comprehensive income for the period	-	(1,094,835)	3,205,570	2,110,735	(4,260)	2,106,475
Dividend	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
At 31 March 2010	<u>60,000,000</u>	<u>78,584</u>	<u>23,704,905</u>	<u>83,783,489</u>	<u>-</u>	<u>83,783,489</u>
At 1 January 2009	60,000,000	1,505,012	10,044,364	71,549,376	16,074	71,565,450
Total comprehensive income for the period	-	874,392	2,914,099	3,788,491	(11,152)	3,777,339
Dividend	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
At 31 March 2009	<u>60,000,000</u>	<u>2,379,404</u>	<u>11,278,463</u>	<u>73,657,867</u>	<u>4,922</u>	<u>73,662,789</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

KAWAN FOOD BERHAD
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Condensed Consolidated Statement of Cash Flows
For the Three Months Ended 31 March 2010 - Unaudited

	3 months ended	
	31.3.2010	31.3.2009
	RM	RM
		(restated)
Cash flows from operating activities		
Profit before tax	4,469,247	3,878,459
Adjustments for:		
Depreciation and amortisation	1,234,357	860,884
Loss on disposal of plant and equipment	198,073	-
Interest expense	80,050	97,713
Interest income	(29,434)	(59,461)
Unrealised foreign exchange loss	976,397	-
<i>Operating profit before working capital changes</i>	<u>6,928,690</u>	<u>4,777,595</u>
Changes in working capital:		
Inventories	700,398	(9,619)
Trade and other receivables	(4,196,312)	(2,191,503)
Trade and other payables	964,292	1,846,499
<i>Cash generated from operations</i>	<u>4,397,068</u>	<u>4,422,972</u>
Income taxes paid	(965,231)	(850,732)
Net cash generated from operating activities	<u>3,431,837</u>	<u>3,572,240</u>
Cash flows from investing activities		
Interest received	29,434	59,461
Proceeds from disposal of plant and equipment	6,000	-
Purchase of property, plant and equipment	(567,388)	(1,867,057)
Net cash used in investing activities	<u>(531,954)</u>	<u>(1,807,596)</u>
Cash flows from financing activities		
Interest paid	(80,050)	(97,713)
(Repayment of)/Proceeds from borrowings	(507,915)	6,854,887
Net cash (used in)/generated from financing activities	<u>(587,965)</u>	<u>6,757,174</u>
Net increase in cash and cash equivalents	2,311,918	8,521,818
Effect of changes in foreign exchange rate	(134,100)	(340,152)
Cash and cash equivalents at beginning of period	16,626,907	9,528,745
Cash and cash equivalents at end of period	<u>18,804,725</u>	<u>17,710,411</u>

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Condensed Consolidated Statement of Cash Flows
For the Three Months Ended 31 March 2010 - Unaudited

Cash and cash equivalents at the end of the financial period comprise the following:

	As at 31.3.2010 RM	As at 31.3.2009 RM
Deposits placed with licensed banks	5,839,364	10,054,694
Cash and bank balances	12,965,361	7,655,717
	<u>18,804,725</u>	<u>17,710,411</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2009 and the accompanying explanatory notes attached to the interim financial statements.

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Accounting policies and basis of preparation

The interim financial statement has been prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. The figures for the cumulative period in the current quarter to 31 March 2010 have not been audited.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009. The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2009, except for the following:

On 1 January 2010, the Group adopted the followings FRSs:-

FRSs, Amendments to FRSs and Interpretations

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (revised)	Presentation of Financial Statements
FRS 123 (revised)	Borrowings Costs
FRS 132 (revised)	Financial Instruments : Presentation
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 10	Impairment and Interim Financial Reporting
Amendment to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Statement of Cash Flows
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events after the Reporting Period
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 123	Borrowings Costs
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendment to FRS 132	Financial Instrument: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 139	Financial Instrument: Recognition and Measurement
Amendment to FRS 140	Investment Property

Other than for the application of FRS 101, FRS 139 and FRS 117, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

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FRS 101 : Presentation of Financial Statements

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, had been re-presented so that it is also in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

FRS 139 : Financial Instruments : Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives were recognised on their settlement dates. Outstanding derivatives at the date of statement of financial position were not recognised. With the adoption of FRS 139, all financial assets and financial liabilities, including derivative, are recognised at contract dates when, and only when, the company or any subsidiary becomes a party to the contractual provisions of the instruments.

With the adoption of FRS 139, financial assets and financial liabilities recognised and unrecognised in the prior financial year are classed into following categories:

<u>Pre-FRS 139</u>	<u>Post-FRS 139</u>
Long-term equity investments	Available-for sale investment
Long-term quoted debts instruments	Held-to-maturity investment
Private-debt instruments	Loans and receivables
Current investments	Financial assets at fair value through profit or loss
Unrecognised derivative assets	Financial assets at fair value through profit or loss
Long-term borrowings and bonds	Financial liabilities at amortised cost
Unrecognised derivative liabilities	Financial liabilities at fair value through profit or loss

The measurement bases applied to the financial assets and financial liabilities in the prior financial year are changed to conform to the measurement standard of FRS 139 in the current quarter. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

<u>Category</u>	<u>Measurement basis</u>
Financial instrument at fair value through profit or loss	At fair value through profit or loss
Held-to-maturity investments	At amortised cost effective interest method
Loans and receivables	At amortised cost effective interest method
Available-for-sale investments	At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost.
Loans and other financial liabilities	At amortised cost effective interest method

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Financial assets and financial liabilities designed as hedged items and hedging financial derivative are accounted for using the specified hedge accounting requirements of FRS 139. All financial assets other than those classified as at fair value through profit or loss are subject to impairment test of FRS 139.

In accordance with FRS 139, the recognition, derecognition, measurement and hedge accounting requirements are applied prospectively from 1 January 2010. The effects of the measurement on 1 January 2010 of the financial assets and financial liabilities brought forward from previous financial year are adjusted to the opening retained profits as disclosed in the statement of changes in equity.

Amendment to FRS 117: Leases

The Group has adopted the Amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods. The following comparative figures have been restated following the adoption of the amendment to FRS 117.

	31 December 2009	
	As restated RM'000	As previously stated RM'000
Property, plant and equipment	66,399	54,742
Prepaid lease payments	-	11,657

A2 Qualification of financial statements

The financial statements of the Company and its subsidiaries for the financial year ended 31 December 2009 were not qualified.

A3 Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review.

A5 Changes in estimates

There were no changes in estimates that have had material effect in the current quarter results.

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A6 Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities by the Company during the current quarter under review.

A7 Dividend proposed, declared and paid

An interim dividend of 1.4 sen per ordinary share tax exempt totalling RM1,680,000 in respect of the financial year ending 31 December 2010 has been paid on 30 April 2010.

A8 Segmental information

Business segments

The Group's business segments mainly comprise the manufacture and sale of frozen food products.

	Investment holding	Manufacturing	Trading	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	21,236	21,877	(19,899)	23,214
Results	159	4,020	595	(163)	4,611
Finance cost					(142)
Taxation					(1,268)
Profit after tax					3,201

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	3 months ended		Year-to-date ended	
	31 Mar 2010	31 Mar 2009	31 Mar 2010	31 Mar 2009
	RM'000	RM'000	RM'000	RM'000
Malaysia	9,320	7,647	9,320	7,647
Rest of Asia	2,518	2,996	2,518	2,996
Europe	3,068	2,617	3,068	2,617
North America	7,011	5,942	7,011	5,942
Oceania	1,297	1,660	1,297	1,660
Africa	-	116	-	116
Consolidated	23,214	20,978	23,214	20,978

A9 Valuation of property, plant and equipment

No revaluation of property, plant and equipment were undertaken during the current quarter under review.

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A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter under review.

A11 Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

A12 Contingent liabilities

The Board is not aware of any material contingent liabilities incurred by the Group for the current quarter under review.

A13 Capital commitments

The capital commitments of the Group as at 31 March 2010 is as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>1,875</u>

A14 Related party transactions

The Group's related party transactions in the current quarter and the cumulative period-to-date ended 31 March 2010 are as follows:

	Current Quarter Ended 31 Mar 2010 RM'000	Year-to-date Ended 31 Mar 2010 RM'000
Transactions with a company in which Gan Thiam Chai, a Director of the Company has interests:		
Hot & Roll Sdn Bhd		
-Sales	<u>50</u>	<u>50</u>
Transactions with a company in which the spouse of Gan Thiam Hock, a Director of the Company has interests:		
K.C. Belight Food Industry (M) Sdn Bhd		
-Sales	181	181
-Purchases	<u>23</u>	<u>23</u>

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	Current Quarter Ended 31 Mar 2010 RM'000	Year-to-date Ended 31 Mar 2010 RM'000
Transactions with companies in which Nareshchandra Gordhandas Nagrecha and Jayendra Janardan Ved, Directors of the Company have interest.		
Shana Foods Limited		
-Sales	2,306	2,306
Rubicon Food Products Limited		
-Sales	411	411

The above transactions have been entered in the normal course of business and have been established on terms and condition that are not materially different from those obtainable in similar transactions with unrelated parties.

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**PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF
BURSA SECURITIES**

B1 Review of performance

The Group registered a turnover of RM23.21 million during the current quarter ended 31 March 2010 which was 10.7% increase as compared to RM20.98 million achieved in the corresponding quarter of the preceding year. Profit after tax ("PAT") increased from RM2.90 million to RM3.20 million this quarter. The increase in PAT was mainly due to higher sales registered in the current quarter.

B2 Variance of quarterly results compared to preceding quarter

The Group recored a higher turnover of RM23.21 million for the current quarter under review compared to the immediate preceding quarter of RM20.35 million.

The profit before tax increased to RM4.47 million for the current quarter from RM4.37 million registered in the immediate preceding quarter. The increased were due to higher sales generated in the current quarter compared to the immediate preceding quarter.

B3 Commentary on the prospect

The Group is confident to capitalise from its expanding production capacity in both Malaysia and China and tap into bigger market shares. The Group has set priority to develop the domestic market in China. China being the most populous country in the world with more than 1.3 billion people would have immense opportunities for the Group to promote its products. The demand for food products has risen following the rapid growth of China's economy.

With new production facilities in Malaysia and China, product research and development activities would be further intensified and the Group would be able to launch more innovative products that could cater for different market segments. Barring unforeseen circumstances, the KFB Group is looking forward to achieve a better performance 2010.

B4 Variance of actual and profit forecast

Not applicable as the Group did not issue any profit forecast for the current financial year.

B5 Taxation

	Current Quarter Ended 31 Mar 2010 RM'000	Year-to-date Ended 31 Mar 2010 RM'000
Tax expense		
-Current period	1,257	1,257
Deferred tax expense		
-origination and reversal of temporary differences	11	11
Total	<u>1,268</u>	<u>1,268</u>

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The effective tax rate of the Group for current quarter is higher than the statutory rate. This is mainly due to certain expenses are non-tax deductible and non-availability of group relief where tax losses in certain subsidiary companies cannot be set off against the taxable income of other subsidiary companies.

B6 Sale of unquoted investment and properties

There were no sales of unquoted investment and properties during the current quarter under review.

B7 Quoted and marketable securities

There were no purchase or disposal of quoted and marketable securities during the current quarter under review.

B8 Status of corporate proposal

There were no corporate proposals announced.

B9 Borrowings (secured)

	As at 31 Mar 2010 RM'000	As at 31 Mar 2009 RM'000
Short term borrowings:		
Term loans	1,856	1,864
Finance lease liability	135	6
	<u>1,991</u>	<u>1,870</u>
Long term borrowings:		
Term loans	5,497	7,337
Finance lease liability	45	14
	<u>5,542</u>	<u>7,351</u>

The borrowings are denominated in Malaysia Ringgit

B10 Derivative financial instruments

The Group has entered into some forward foreign exchange currencies contracts to hedge its exposure to fluctuations in foreign currency from sales.

	Currency USD'000	Average contract rate	Contract value RM'000	Net fair value RM'000
Less than 1 year	4,700	3.4762	16,338	1,004

The derivative have been recorded on the Consolidated Statement of Financial Position for this reporting period in compliance with FRS 139

The above instruments are executed with credit worthy financial institutions in Malaysia and as such credit risks are minimal.

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B11 Gains and losses arising from fair value changes of financial liabilities

There were no gain or loss arising from fair value changes in financial liabilities in this reporting quarter.

B12 Material litigation

The Group does not have any material litigation as at the date of this announcement save for the following:

Georgetown Sessions Court Summons No. 52-3313-2004 Twenty First Garfix Sdn Bhd v Kawan Food Manufacturing Sdn Bhd ('KFM')

By a summons and statement of claim of filed on 9 November 2004 and served on KFM, a wholly owned subsidiary of the Company, on 29 November 2004, Twenty First Garfix Sdn Bhd, an advertising consultant providing corporate and product branding services of products ("Consultant"), has claimed against KFM the sum of RM130,940 alleged as owing by KFM to the Consultant, pursuant to the work and services provided to KFM by the Consultant, as well as interest and cost on the claim.

The hearing has been postponed to 17 June 2010.

B13 Dividend

The dividend in respect of financial year ending 31 December 2010, of 1.4 sen per share tax exempt on 120,000,000 ordinary shares, amounting to RM1,680,000 (2009 : Nil) was paid on 30 April 2010.

B14 Earning per share ("EPS")

	3 months ended 31 Mar 2010	3 months ended 31 Mar 2009	Year-to-date ended 31 Mar 2010	Year-to-date ended 31 Mar 2009
Profit attributable to equity holders of the parent (RM'000)	3,206	2,914	3,206	2,914
Weighted average number of ordinary shares in issue (units)	120,000,000	120,000,000	120,000,000	120,000,000
Basic earning per share (sen)	<u>2.67</u>	<u>2.43</u>	<u>2.67</u>	<u>2.43</u>

There are no diluted EPS as the Company does not have any convertible financial instrument as at the end of the current quarter under review.

By order of the Board

Gan Thiam Chai
Executive Chairman
Date: 31 May 2010