

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

Condensed Consolidated Statement of Comprehensive Income
For the Six Months Ended 30 June 2010 - Unaudited

	Note	3 months ended		6 months ended	
		30.6.2010	30.6.2009	30.6.2010	30.6.2009
		RM	RM	RM	RM
			(restated)		(restated)
Revenue	A8	22,909,942	22,652,298	46,123,774	43,630,092
Cost of sales		(13,221,357)	(12,851,890)	(26,124,405)	(24,510,866)
Gross profit		<u>9,688,585</u>	<u>9,800,408</u>	<u>19,999,369</u>	<u>19,119,226</u>
Other income		127,863	87,636	364,776	161,714
Selling & distribution expenses		(3,663,848)	(2,764,163)	(6,908,876)	(6,198,375)
Administrative expenses		(1,853,267)	(2,271,280)	(4,545,053)	(4,199,303)
Finance costs		(146,614)	(173,236)	(288,250)	(325,438)
Profit before tax		<u>4,152,719</u>	<u>4,679,365</u>	<u>8,621,966</u>	<u>8,557,824</u>
Income tax expense	B5	(896,328)	(1,167,030)	(2,164,265)	(2,142,542)
Profit for the period		<u>3,256,391</u>	<u>3,512,335</u>	<u>6,457,701</u>	<u>6,415,282</u>
Other comprehensive income, net of tax					
Exchange differences on translation of foreign operations		(332,384)	(628,019)	(1,427,219)	246,373
Other comprehensive (loss)/income, net of tax		<u>(332,384)</u>	<u>(628,019)</u>	<u>(1,427,219)</u>	<u>246,373</u>
Total comprehensive income for the period		<u>2,924,007</u>	<u>2,884,316</u>	<u>5,030,482</u>	<u>6,661,655</u>
Profit attributable to:					
Owners of the company		3,256,391	3,540,548	6,461,961	6,454,647
Non-controlling interest		-	(28,213)	(4,260)	(39,365)
Profit for the period		<u>3,256,391</u>	<u>3,512,335</u>	<u>6,457,701</u>	<u>6,415,282</u>
Total comprehensive income attributable to:					
Owners of the company		2,924,007	2,912,529	5,034,742	6,701,020
Non-controlling interest		-	(28,213)	(4,260)	(39,365)
Total comprehensive income for the period		<u>2,924,007</u>	<u>2,884,316</u>	<u>5,030,482</u>	<u>6,661,655</u>
Earning per share					
Basic earnings per ordinary share (sen)	B14	2.71	2.95	5.38	5.38

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 30 June 2010 - unaudited

	As at 30.6.2010 RM	As at 31.12.2009 RM (restated)
Assets		
Property, plant and equipment	63,740,934	66,398,547
Investment property	918,421	929,807
Deferred tax assets	183,681	100,043
Intangible asset	204,230	204,230
Total non-current assets	<u>65,047,266</u>	<u>67,632,627</u>
Inventories	6,711,883	5,575,501
Trade and other receivables	22,951,203	17,877,462
Tax recoverable	976,652	1,357,303
Derivative financial instrument	1,031,760	-
Cash and cash equivalents	17,980,205	16,626,907
Total current assets	<u>49,651,703</u>	<u>41,437,173</u>
Total assets	<u><u>114,698,969</u></u>	<u><u>109,069,800</u></u>
Equity		
Share capital	60,000,000	60,000,000
Reserves	26,707,496	23,113,124
Total equity attributable to owners of the company	<u>86,707,496</u>	<u>83,113,124</u>
Non-controlling interest	-	4,260
Total equity	<u>86,707,496</u>	<u>83,117,384</u>
Liabilities		
Long term borrowings	5,271,700	5,993,038
Deferred tax liabilities	1,935,645	1,935,645
Total non-current liabilities	<u>7,207,345</u>	<u>7,928,683</u>
Trade and other payables	18,709,274	15,637,437
Short term borrowings	1,755,865	2,048,580
Dividend payable	-	-
Taxation	318,989	337,716
Total current liabilities	<u>20,784,128</u>	<u>18,023,733</u>
Total liabilities	<u>27,991,473</u>	<u>25,952,416</u>
Total equity and liabilities	<u><u>114,698,969</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 Six Months Ended 30 June 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	-	(1,427,219)	6,461,961	5,034,742	(4,260)	5,030,482
Dividend	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
At 30 June 2010	<u>60,000,000</u>	<u>(253,800)</u>	<u>26,961,296</u>	<u>86,707,496</u>	<u>-</u>	<u>86,707,496</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	-	246,373	6,454,647	6,701,020	(39,365)	6,661,655
Dividend	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
At 30 June 2009	<u>60,000,000</u>	<u>1,751,385</u>	<u>14,819,011</u>	<u>76,570,396</u>	<u>(23,291)</u>	<u>76,547,105</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.

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Condensed Consolidated Statement of Cash Flows
For the Six Months Ended 30 June 2010 - Unaudited

	6 months ended	
	30.6.2010	30.6.2009
	RM	RM (restated)
Cash flows from operating activities		
Profit before tax	8,621,966	8,557,824
Adjustments for:		
Depreciation and amortisation	2,496,040	1,773,503
Loss on disposal of plant and equipment	197,036	34,672
Interest expense	164,149	232,159
Interest income	(65,344)	(111,597)
Unrealised foreign exchange loss	(719,809)	-
<i>Operating profit before working capital changes</i>	10,694,038	10,486,561
Changes in working capital:		
Inventories	(1,136,382)	(1,650,585)
Trade and other receivables	(5,073,741)	(2,052,589)
Trade and other payables	3,071,836	4,711,735
<i>Cash generated from operations</i>	7,555,751	11,495,122
Income taxes paid	(1,901,676)	(1,231,839)
Net cash generated from operating activities	5,654,075	10,263,283
Cash flows from investing activities		
Interest received	65,344	111,597
Proceeds from disposal of plant and equipment	7,200	-
Purchase of property, plant and equipment	(1,493,403)	(6,920,686)
Net cash used in investing activities	(1,420,859)	(6,809,089)
Cash flows from financing activities		
Interest paid	(164,149)	(232,159)
Dividend paid	(1,680,000)	(1,680,000)
(Repayment of)/Proceeds from borrowings	(1,014,055)	6,400,565
Net cash (used in)/generated from financing activities	(2,858,204)	4,488,406
Net increase in cash and cash equivalents	1,375,012	7,942,600
Effect of changes in foreign exchange rate	(21,714)	(29,251)
Cash and cash equivalents at beginning of period	16,626,907	9,528,745
Cash and cash equivalents at end of period	17,980,205	17,442,094

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Condensed Consolidated Statement of Cash Flows
For the Six Months Ended 30 June 2010 - Unaudited

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

	As at 30.6.2010 RM	As at 30.6.2009 RM
Deposits placed with licensed banks	3,229,242	7,834,505
Cash and bank balances	14,750,963	9,607,589
	<u>17,980,205</u>	<u>17,442,094</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 statements are unaudited and have been prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements.

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	As previously stated
	RM'000	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	-	45,554	42,977	(42,407)	46,124
Results	(2)	9,098	833	(1,019)	8,910
Finance cost					(288)
Taxation					(2,164)
Profit after tax					6,458

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	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
Malaysia	7,636	7,196	16,956	14,843
Rest of Asia	3,750	3,578	6,268	6,574
Europe	3,353	3,471	6,421	6,088
North America	6,595	6,887	13,606	12,829
Oceania	1,576	1,520	2,873	3,180
Africa	-	-	-	116
Consolidated	22,910	22,652	46,124	43,630

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 30 June 2010 is as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u><u>5,768</u></u>

A14 Related party transactions

The Group's related party transactions in the current quarter and the cumulative period-to-date ended 30 June 2010 are as follows:

	Current Quarter Ended 30 June 2010 RM'000	Year-to-date Ended 30 June 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><u>56</u></u>	<u><u>106</u></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	182	363
-Purchases	<u><u>242</u></u>	<u><u>265</u></u>

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	Current Quarter Ended 30 June 2010 RM'000	Year-to-date Ended 30 June 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	2,394	4,700
	<u>2,394</u>	<u>4,700</u>
Rubicon Food Products Limited		
-Sales	605	1,016
	<u>605</u>	<u>1,016</u>

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.

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

B1 Review of performance

The Group registered a turnover of RM22.91 million during the current quarter ended 30 June 2010 which was 1% increase as compared to RM22.65 million achieved in the corresponding quarter of the preceding year. Profit after tax ("PAT") decreased from RM3.51 million to RM3.26 million this quarter. The decrease in PAT was mainly due to unfavorable RM/USD exchange rate.

B2 Variance of quarterly results compared to preceding quarter

The Group recored a lower turnover of RM22.91 million for the current quarter under review compared to the immediate preceding quarter of RM23.21 million.

The profit before tax decreased to RM4.15 million for the current quarter from RM4.47 million registered in the immediate preceding quarter. The decreased were due to lower sales generated in the current quarter compared to the immediate preceding quarter.

B3 Commentary on the prospect

The Group seeks to utilise its expanding production capacity in both Malaysia and China and tap into bigger market shares. The Group has set priority to develop the domestic China market. Product research and development activities would be further intensified to develop and launch more innovative products that could cater for different market segments.

On a year-to-date basis, the strengthening of the Malaysia Ringgit has negatively impacted the overall performance of the Group as a significant portion of the sales is transacted in US Dollars.

Barring any unforeseen circumstances, the Group is looking forward to maintaining its performance in 2010.

B4 Variance of actual and profit forecast

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

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B5 Taxation

	Current Quarter Ended 30 June 2010 RM'000	Year-to-date Ended 30 June 2010 RM'000
Tax expense		
-Current period	1,005	2,262
Deferred tax expense		
-origination and reversal of temporary differences	(109)	(98)
Total	<u>896</u>	<u>2,164</u>

The effective tax rate of the Group for current quarter is lower than the statutory tax rate. This is mainly due to over provision of income tax last year and lower tax rate in an oversea subsidiary.

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 30 June 2010 RM'000	As at 30 June 2009 RM'000
Short term borrowings:		
Term loans	1,621	1,869
Finance lease liability	135	6
	<u>1,756</u>	<u>1,875</u>
Long term borrowings:		
Term loans	5,260	6,879
Finance lease liability	12	12
	<u>5,272</u>	<u>6,891</u>

The borrowings are denominated in Malaysia Ringgit

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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	3.4560	16,243	1,032

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.

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 Grafix 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 Grafix 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.

On 16 August 2010, the Sessions Court's Judge has dismissed claim of the Consultant and have granted the counter-claims of KFM in respect of the deposits paid by KFM.

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.

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B14 Earning per share ("EPS")

	3 months ended 30 June 2010	3 months ended 30 June 2009	Year-to-date ended 30 June 2010	Year-to-date ended 30 June 2009
Profit attributable to equity holders of the parent (RM'000)	3,256	3,541	6,462	6,454
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>2.71</u>	<u>2.95</u>	<u>5.38</u>	<u>5.38</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: 23 August 2010