

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

Condensed Consolidated Statement of Comprehensive Income
For the Three Months Ended 31 March 2011 - Unaudited

	Note	3 months ended		3 months ended	
		31.3.2011	31.3.2010	31.3.2011	31.3.2010
		RM	RM	RM	RM
Revenue	A8	25,870,177	23,213,832	25,870,177	23,213,832
Cost of sales		(15,645,323)	(12,903,048)	(15,645,323)	(12,903,048)
Gross profit		10,224,854	10,310,784	10,224,854	10,310,784
Other income		111,307	236,913	111,307	236,913
Selling & distribution expenses		(3,653,666)	(3,245,028)	(3,653,666)	(3,245,028)
Administrative expenses		(2,569,261)	(2,691,786)	(2,569,261)	(2,691,786)
Finance costs		(136,364)	(141,636)	(136,364)	(141,636)
Profit before tax		3,976,870	4,469,247	3,976,870	4,469,247
Income tax expense	B5	(985,078)	(1,267,937)	(985,078)	(1,267,937)
Profit for the period		2,991,792	3,201,310	2,991,792	3,201,310
Other comprehensive income, net of tax					
Exchange differences on translation of foreign operations		(300,318)	(1,094,835)	(300,318)	(1,094,835)
Other comprehensive loss, net of tax		(300,318)	(1,094,835)	(300,318)	(1,094,835)
Total comprehensive income for the period		2,691,474	2,106,475	2,691,474	2,106,475
Profit attributable to:					
Owners of the company		3,074,048	3,205,570	3,074,048	3,205,570
Non-controlling interest		(82,256)	(4,260)	(82,256)	(4,260)
Profit for the period		2,991,792	3,201,310	2,991,792	3,201,310
Total comprehensive income attributable to:					
Owners of the company		2,773,730	2,110,735	2,773,730	2,110,735
Non-controlling interest		(82,256)	(4,260)	(82,256)	(4,260)
Total comprehensive income for the period		2,691,474	2,106,475	2,691,474	2,106,475
Earning per share					
Basic earnings per ordinary share (sen)	B14	2.56	2.67	2.56	2.67

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 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 2011 - unaudited

	unaudited 31.3.2011 RM	audited 31.12.2010 RM
Assets		
Property, plant and equipment	64,632,793	65,463,447
Investment property	2,739,049	2,756,977
Deferred tax assets	77,780	88,433
Total non-current assets	<u>67,449,622</u>	<u>68,308,857</u>
Other investments, including derivatives	545,780	763,770
Inventories	6,132,547	5,530,480
Current tax assets	2,401,126	2,425,358
Trade and other receivables	22,881,271	18,607,222
Cash and cash equivalents	22,633,417	23,034,299
Total current assets	<u>54,594,141</u>	<u>50,361,129</u>
Total assets	<u><u>122,043,763</u></u>	<u><u>118,669,986</u></u>
Equity		
Share capital	60,000,000	60,000,000
Reserves	36,727,153	33,953,423
Total equity attributable to owners of the company	<u>96,727,153</u>	<u>93,953,423</u>
Non-controlling interest	(82,256)	-
Total equity	<u>96,644,897</u>	<u>93,953,423</u>
Liabilities		
Loans and borrowings	4,643,309	4,858,897
Deferred tax liabilities	2,348,430	2,348,430
Total non-current liabilities	<u>6,991,739</u>	<u>7,207,327</u>
Loan and borrowings	907,226	1,136,291
Trade and other payables	17,410,897	16,174,635
Current tax liabilities	89,004	198,310
Total current liabilities	<u>18,407,127</u>	<u>17,509,236</u>
Total liabilities	<u>25,398,866</u>	<u>24,716,563</u>
Total equity and liabilities	<u><u>122,043,763</u></u>	<u><u>118,669,986</u></u>
Net assets per share attributable to equity holders of the parent (RM)	<u>0.81</u>	<u>0.78</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 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 2011 - 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 - restated	60,000,000	1,173,419	22,092,233	83,265,652	4,260	83,269,912
Total comprehensive income for the year	-	(1,795,690)	14,163,461	12,367,771	(4,260)	12,363,511
Dividend	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
At 31 December 2010/January 2011	60,000,000	(622,271)	34,575,694	93,953,423	-	93,953,423
Total comprehensive income for the period	-	(300,318)	3,074,048	2,773,730	(82,256)	2,691,474
At 31 March 2011	60,000,000	(922,589)	37,649,742	96,727,153	(82,256)	96,644,897

KAWAN FOOD BERHAD
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Condensed Consolidated Statement of Cash Flows
For the Three Months Ended 31 March 2011 - Unaudited

	3 months ended	
	31.3.2011	31.3.2010
	RM	RM
Cash flows from operating activities		
Profit before tax	3,976,870	4,469,247
Adjustments for:		
Depreciation and amortisation	1,321,493	1,234,357
Gain on disposal of plant and equipment	-	198,073
Interest expense	69,867	80,050
Interest income	(23,319)	(29,434)
Unrealised foreign exchange gain	76,210	976,397
<i>Operating profit before working capital changes</i>	5,421,121	6,928,690
Changes in working capital:		
Inventories	(602,067)	700,398
Trade and other receivables	(4,356,518)	(4,196,312)
Trade and other payables	1,332,177	964,292
<i>Cash generated from operations</i>	1,794,713	4,397,068
Income tax paid	(860,808)	(965,231)
Net cash generated from operating activities	933,905	3,431,837
Cash flows from investing activities		
Interest received	23,319	29,434
Proceeds from disposal of plant and equipment	-	6,000
Purchase of property, plant and equipment	(800,015)	(567,388)
Net cash used in investing activities	(776,696)	(531,954)
Cash flows from financing activities		
Interest paid	(69,867)	(80,050)
(Repayment of)/Proceeds from borrowings	(444,651)	(507,915)
Net cash used in financing activities	(514,518)	(587,965)
Net (decrease)/increase in cash and cash equivalents	(357,309)	2,311,918
Effect of changes in foreign exchange rate	(43,573)	(134,100)
Cash and cash equivalents at beginning of period	23,034,299	16,626,907
Cash and cash equivalents at end of period	22,633,417	18,804,725

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Condensed Consolidated Statement of Cash Flows
For the Three Months Ended 31 March 2011 - Unaudited

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

	As at 31.3.2011 RM	As at 31.3.2010 RM
Deposits placed with licensed banks	1,785,524	5,839,364
Cash and bank balances	20,847,893	12,965,361
	<u>22,633,417</u>	<u>18,804,725</u>

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The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 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 2010. 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 2010, except for the adoption of the following:

FRSs and Interpretations

FRS 1	First-time Adoption of Financial Reporting Standards (Revised)
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements (Revised)
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Share-based Payment
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments : Presentation
Amendments to FRS 138	Intangible Assets
Improvements to FRSs (2010)	
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Services Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfer of Assets from Customers

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.

A2 Qualification of financial statements

The financial statements of the Company and its subsidiaries for the financial year ended 31 December 2010 were not qualified.

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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.

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

There were no dividends paid during the quarter under review.

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	-	23,903	24,590	(22,623)	25,870
Results	(897)	3,320	1,329	361	4,113
Finance cost					(136)
Taxation					(985)
Profit after tax					2,992

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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 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
	RM'000	RM'000	RM'000	RM'000
Malaysia	10,582	9,320	10,582	9,320
Rest of Asia	3,116	2,518	3,116	2,518
Europe	2,888	3,068	2,888	3,068
North America	8,436	7,011	8,436	7,011
Oceania	848	1,297	848	1,297
Africa	-	-	-	-
Consolidated	<u>25,870</u>	<u>23,214</u>	<u>25,870</u>	<u>23,214</u>

A9 Valuation of property, plant and equipment

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

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 2011 is as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>3,364</u>

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A14 Related party transactions

The Group's related party transactions in the current quarter and the cumulative period-to-date ended 31 March 2011 are as follows:

	Current Quarter Ended 31 Mar 2011 RM'000	Year-to-date Ended 31 Mar 2011 RM'000
Transactions with a company in which Gan Thiam Chai, a Director of the Company has interests:		
Hot & Roll Sdn Bhd		
-Sales	92	92
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	141	141
-Purchases	299	299
Transactions with companies in which Nareshchandra Gordhandas Nagrecha and Jayendra Janardan Ved, Directors of the Company have interest.		
Shana Foods Limited		
-Sales	2,397	2,397
Rubicon Food Products Limited		
-Sales	668	668

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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A15 Supplementary information disclosed pursuant to Bursa Malaysia Securities Berhad Listing Requirements

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance on Special matter No.1, determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

Realised and unrealised profits or losses

	As at 31 Mar 2011 RM'000
- Realised	65,258
-Unrealised	<u>(5,547)</u>
	59,711
Consolidation adjustments	<u>(22,061)</u>
Total Group retained profits as per consolidated accounts	<u>37,650</u>

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

B1 Review of performance

The Group registered a turnover of RM25.87 million during the current quarter ended 31 March 2011 which was 11% increase as compared to RM23.21 million achieved in the corresponding quarter of the preceding year. Profit after tax ("PAT") decreased from RM3.20 million to RM2.99 million this quarter. The decrease in PAT was mainly due to the unfavorable RM/USD exchange rate.

B2 Variance of quarterly results compared to preceding quarter

The Group recorded a higher turnover of RM25.87 million for the current quarter under review compared to the immediate preceding quarter of RM21.75 million.

The profit before tax increased to RM3.98 million for the current quarter from RM3.28 million registered in the immediate preceding quarter. The increase was due to higher sales generated in the current quarter compared to the immediate preceding quarter.

B3 Commentary on the prospect

The weakening US Dollar will negatively impact export sales revenue and profit margins. Continued price increase in commodities including wheat and oil palm is another concern despite efforts to pass on some increases to customers in the export and local markets.

To mitigate these adverse factors, the Group will step up efforts to maximise efficiencies in all aspects of its operations and also looking at introducing new products progressively from the middle of this year.

Barring any unforeseen circumstance, the Group is looking forward to maintaining its performance in 2011.

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 31 Mar 2011 RM'000	Year-to-date Ended 31 Mar 2011 RM'000
Tax expense		
-Current period	974	974
Deferred tax expense		
-origination and reversal of temporary differences	11	11
Total	<u>985</u>	<u>985</u>

The effective tax rate of the Group for the financial period under review is lower than the statutory tax rate principally due to the lower tax rate in 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 31 Mar 2011 RM'000	As at 31 Mar 2011 RM'000
Short term borrowings:		
Term loans	862	1,856
Finance lease liability	45	135
	<u>907</u>	<u>1,991</u>
Long term borrowings:		
Term loans	4,643	5,497
Finance lease liability	-	45
	<u>4,643</u>	<u>5,542</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	3,300	3.1907	10,529	546

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 ("Plaintiff"), has claimed against KFM the sum of RM130,940 alleged as owing by KFM to the Plaintiff, pursuant to the work and services provided to KFM by the Plaintiff, as well as interest and cost on the claim.

Following the judgement on 16 August 2010, the Plaintiff has filed their notice of appeal on 25 August 2010. Following the receipt of Form 141 from the Court, the Plaintiff has further filed in the Memorandum of Appeal and Record of Appeal on 27 December 2010 and 18 January 2011 respectively.

The next hearing is on 6 May 2011

B13 Dividend

The Board declared an interim tax exempt dividend of 1.4 sen per ordinary share in respect of the financial year ending 31 December 2011 (2010: 1.4 sen tax exempt dividend). The date for book closure of the records of depositors for determining dividend entitlements and the date of payment will be announced at a later date.

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B14 Earning per share ("EPS")

	3 months ended 31 Mar 2011	3 months ended 31 Mar 2010	Year-to-date ended 31 Mar 2011	Year-to-date ended 31 Mar 2010
Profit attributable to equity holders of the parent (RM'000)	3,074	3,206	3,074	3,206
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>2.56</u>	<u>2.67</u>	<u>2.56</u>	<u>2.67</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: 28 April 2011