

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

Condensed Consolidated Statement of Comprehensive Income
For the Six Months Ended 30 June 2011 - Unaudited

| | Note | 3 months ended | | 6 months ended | |
|---|------------|----------------|--------------|----------------|--------------|
| | | 30.6.2011 | 30.6.2010 | 30.6.2011 | 30.6.2010 |
| | | RM | RM | RM | RM |
| Revenue | A8 | 24,650,651 | 22,909,942 | 50,520,828 | 46,123,774 |
| Cost of sales | | (14,760,078) | (13,221,357) | (30,405,401) | (26,124,405) |
| Gross profit | | 9,890,573 | 9,688,585 | 20,115,427 | 19,999,369 |
| Other income | | 130,683 | 127,863 | 241,990 | 364,776 |
| Selling & distribution expenses | | (3,575,908) | (3,663,848) | (7,229,574) | (6,908,876) |
| Administrative expenses | | (2,489,524) | (1,853,267) | (5,058,785) | (4,545,053) |
| Finance costs | | (131,254) | (146,614) | (267,618) | (288,250) |
| Profit before tax | | 3,824,570 | 4,152,719 | 7,801,440 | 8,621,966 |
| Income tax expense | B5 | (1,018,112) | (896,328) | (2,003,190) | (2,164,265) |
| Profit for the period | | 2,806,458 | 3,256,391 | 5,798,250 | 6,457,701 |
| Other comprehensive income, net of tax | | | | | |
| Exchange differences on translation of foreign operations | | 221,709 | (332,384) | (78,609) | (1,427,219) |
| Other comprehensive profit/(loss), net of tax | | 221,709 | (332,384) | (78,609) | (1,427,219) |
| Total comprehensive income for the period | | 3,028,167 | 2,924,007 | 5,719,641 | 5,030,482 |
| Profit attributable to: | | | | | |
| Owners of the company | | 2,736,066 | 3,256,391 | 5,810,114 | 6,461,961 |
| Non-controlling interest | | 70,392 | - | (11,864) | (4,260) |
| Profit for the period | | 2,806,458 | 3,256,391 | 5,798,250 | 6,457,701 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the company | | 2,957,775 | 2,924,007 | 5,731,505 | 5,034,742 |
| Non-controlling interest | | 70,392 | - | (11,864) | (4,260) |
| Total comprehensive income for the period | | 3,028,167 | 2,924,007 | 5,719,641 | 5,030,482 |
| Earning per share | | | | | |
| Basic earnings per ordinary share (sen) | B14 | 2.28 | 2.71 | 4.84 | 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 2010 and the accompanying explanatory notes attached to the interim financial statements.

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

Condensed Consolidated Statement of Financial Position
As at 30 June 2011 - unaudited

| | unaudited 30.6.2011 RM | audited 31.12.2010 RM |
|---|---|--|
| Assets | | |
| Property, plant and equipment | 65,638,473 | 65,463,447 |
| Investment properties | 2,731,733 | 2,756,977 |
| Deferred tax assets | 141,626 | 88,433 |
| Total non-current assets | <u>68,511,832</u> | <u>68,308,857</u> |
| Other investments, including derivatives | 322,720 | 763,770 |
| Inventories | 7,929,336 | 5,530,480 |
| Current tax assets | 1,973,304 | 2,425,358 |
| Trade and other receivables | 23,674,552 | 18,607,222 |
| Cash and cash equivalents | 20,475,532 | 23,034,299 |
| Total current assets | <u>54,375,444</u> | <u>50,361,129</u> |
| Total assets | <u><u>122,887,276</u></u> | <u><u>118,669,986</u></u> |
| Equity | | |
| Share capital | 60,000,000 | 60,000,000 |
| Reserves | 38,004,928 | 33,953,423 |
| Total equity attributable to owners of the company | <u>98,004,928</u> | <u>93,953,423</u> |
| Non-controlling interest | (11,864) | - |
| Total equity | <u>97,993,064</u> | <u>93,953,423</u> |
| Liabilities | | |
| Loans and borrowings | 4,424,276 | 4,858,897 |
| Deferred tax liabilities | 2,348,430 | 2,348,430 |
| Total non-current liabilities | <u>6,772,706</u> | <u>7,207,327</u> |
| Loan and borrowings | 883,044 | 1,136,291 |
| Trade and other payables | 17,149,614 | 16,174,635 |
| Current tax liabilities | 88,848 | 198,310 |
| Total current liabilities | <u>18,121,506</u> | <u>17,509,236</u> |
| Total liabilities | <u>24,894,212</u> | <u>24,716,563</u> |
| Total equity and liabilities | <u><u>122,887,276</u></u> | <u><u>118,669,986</u></u> |
| Net assets per share attributable to equity holders of the parent (RM) | <u>0.82</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.

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

Condensed Consolidated Statement of Changes in Equity
For the Six Months Ended 30 June 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 | - | (78,609) | 5,810,114 | 5,731,505 | (11,864) | 5,719,641 |
| Dividend | - | - | (1,680,000) | (1,680,000) | - | (1,680,000) |
| At 30 June 2011 | 60,000,000 | (700,880) | 38,705,808 | 98,004,928 | (11,864) | 97,993,064 |

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

Condensed Consolidated Statement of Cash Flows
For the Six Months Ended 30 June 2011 - Unaudited

| | 6 months ended | |
|---|-----------------------|--------------------|
| | 30.6.2011 | 30.6.2010 |
| | RM | RM |
| Cash flows from operating activities | | |
| Profit before tax | 7,801,440 | 8,621,966 |
| Adjustments for: | | |
| Depreciation and amortisation | 2,667,716 | 2,496,040 |
| (Gain)/Loss on disposal of plant and equipment | (1,430) | 197,036 |
| Interest expense | 136,533 | 164,149 |
| Interest income | (60,510) | (65,344) |
| Unrealised foreign exchange differences | (341,598) | (719,809) |
| <i>Operating profit before working capital changes</i> | <u>10,202,151</u> | <u>10,694,038</u> |
| Changes in working capital: | | |
| Inventories | (2,398,856) | (1,136,382) |
| Trade and other receivables | (4,626,280) | (5,073,741) |
| Trade and other payables | 974,982 | 3,071,836 |
| <i>Cash generated from operations</i> | <u>4,151,997</u> | <u>7,555,751</u> |
| Income tax paid | (1,513,593) | (1,901,676) |
| Net cash generated from operating activities | <u>2,638,404</u> | <u>5,654,075</u> |
| Cash flows from investing activities | | |
| Interest received | 60,510 | 65,344 |
| Proceeds from disposal of plant and equipment | 5,000 | 7,200 |
| Purchase of property, plant and equipment | (2,803,297) | (1,493,403) |
| Net cash used in investing activities | <u>(2,737,787)</u> | <u>(1,420,859)</u> |
| Cash flows from financing activities | | |
| Dividend paid | (1,680,000) | (1,680,000) |
| Interest paid | (136,533) | (164,149) |
| Repayment of borrowings | (687,865) | (1,014,055) |
| Net cash used in financing activities | <u>(2,504,398)</u> | <u>(2,858,204)</u> |
| Net (decrease)/increase in cash and cash equivalents | (2,603,781) | 1,375,012 |
| Effect of changes in foreign exchange rate | 45,014 | (21,714) |
| Cash and cash equivalents at beginning of period | <u>23,034,299</u> | <u>16,626,907</u> |
| Cash and cash equivalents at end of period | <u>20,475,532</u> | <u>17,980,205</u> |

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

| | As at | As at |
|-------------------------------------|-------------------|-------------------|
| | 30.6.2011 | 30.6.2010 |
| | RM | RM |
| Deposits placed with licensed banks | 4,067,549 | 3,229,242 |
| Cash and bank balances | 16,407,983 | 14,750,963 |
| | <u>20,475,532</u> | <u>17,980,205</u> |

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.

KAWAN FOOD BERHAD (640445-V)
(Incorporated in Malaysia)

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

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 2011 has been paid on 17 June 2011.

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 | - | 48,288 | 48,235 | (46,002) | 50,521 |
| Results | (1,248) | 6,121 | 3,538 | (342) | 8,069 |
| Finance cost | | | | | (268) |
| Taxation | | | | | (2,003) |
| Profit after tax | | | | | 5,798 |

KAWAN FOOD BERHAD (640445-V)
(Incorporated in Malaysia)

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 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 9,543 | 7,636 | 20,125 | 16,956 |
| Rest of Asia | 2,809 | 3,750 | 5,925 | 6,268 |
| Europe | 3,636 | 3,353 | 6,524 | 6,421 |
| North America | 6,860 | 6,595 | 15,296 | 13,606 |
| Oceania | 1,803 | 1,576 | 2,651 | 2,873 |
| Africa | - | - | - | - |
| Consolidated | <u>24,651</u> | <u>22,910</u> | <u>50,521</u> | <u>46,124</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 30 June 2011 is as follows:

| | RM'000 |
|--------------------------------------|------------|
| Property, plant and equipment | |
| Contracted but not provided for | <u>755</u> |

KAWAN FOOD BERHAD (640445-V)
(Incorporated in Malaysia)

A14 Related party transactions

The Group's related party transactions in the current quarter and the cumulative period-to-date ended 30 June 2011 are as follows:

| | Current Quarter Ended 30 June 2011 RM'000 | Year-to-date Ended 30 June 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 | 184 |
| 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 | 123 | 264 |
| -Purchases | 109 | 408 |
| Transactions with companies in which Nareshchandra Gordhandas Nagrecha and Jayendra Janardan Ved, Directors of the Company have interest. | | |
| Shana Foods Limited | | |
| -Sales | 2,586 | 4,983 |
| Rubicon Food Products Limited | | |
| -Sales | 691 | 1,359 |

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.

KAWAN FOOD BERHAD (640445-V)
(Incorporated in Malaysia)

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 30 June 2011 RM'000 |
|---|---------------------------------|
| - Realised | 67,809 |
| -Unrealised | <u>(5,353)</u> |
| | 62,456 |
| Consolidation adjustments | <u>(23,668)</u> |
| Total Group retained profits as per consolidated accounts | <u>38,788</u> |

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

B1 Review of performance

The Group registered a turnover of RM24.65 million for the current quarter ended 30 June 2011 which was 7.6% increase as compared to RM22.91 million achieved in the corresponding quarter of the preceding year. Profit after tax ("PAT") decreased from RM3.26 million to RM2.80 million this quarter. The decrease in PAT were mainly due to the unfavorable RM/USD exchange rate and raw material prices.

B2 Variance of quarterly results compared to preceding quarter

The Group recorded a lower turnover of RM24.65 million for the current quarter under review compared to the immediate preceding quarter of RM25.87 million.

The profit before tax decreased to RM3.82 million for the current quarter from RM3.98 million registered in the immediate preceding quarter. The decrease was due to lower 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. Erratic price movement in commodities including wheat and oil palm is another concern.

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 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.

KAWAN FOOD BERHAD (640445-V)
(Incorporated in Malaysia)

B5 Taxation

| | Current Quarter Ended 30 Jun 2011 RM'000 | Year-to-date Ended 30 Jun 2011 RM'000 |
|--|---|--|
| Tax expense | | |
| -Current period | 1,082 | 2,056 |
| Deferred tax expense | | |
| -origination and reversal of temporary differences | (64) | (53) |
| Total | <u>1,018</u> | <u>2,003</u> |

The effective tax rate of the Group for the financial period under review is higher than the statutory tax 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

On 29 April 2011, Kawan Food Berhad (KFB) proposed to issue 60,000,000 Free Warrants in KFB on the basis of One (1) Free Warrant for Every Two (2) existing ordinary shares of RM0.50 each in KFB held.

The approval from Shareholders of KFB was obtained on 20 June 2011 at an Extraordinary General Meeting, while the approvals from Bursa Securities and Bank Negara Malaysia were obtained on 1 June 2011 and 17 June 2011 respectively.

The Warrant exercise was completed on 3 August 2011, where 60,000,000 warrants were listed at such time.

KAWAN FOOD BERHAD (640445-V)
(Incorporated in Malaysia)

B9 Borrowings (secured)

| | As at 30 Jun 2011 RM'000 | As at 30 Jun 2010 RM'000 |
|-------------------------|--------------------------------|--------------------------------|
| Short term borrowings: | | |
| Term loans | 872 | 1,621 |
| Finance lease liability | 11 | 135 |
| | <u>883</u> | <u>1,756</u> |
| Long term borrowings: | | |
| Term loans | 4,424 | 5,260 |
| Finance lease liability | - | 12 |
| | <u>4,424</u> | <u>5,272</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 | 2,500 | 3.1491 | 7,873 | 323 |

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.

KAWAN FOOD BERHAD (640445-V)
(Incorporated in Malaysia)

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 ("TFG") 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, TFG, an advertising consultant providing corporate and product branding services of products, has claimed against KFM the sum of RM130,940 alleged as owing by KFM to the TFG, pursuant to the work and services provided to KFM by the TFG, as well as interest of 8% per annum on the claim from 9 January 2004 till the date of full and final settlement and cost on the claim.

On 16 August 2010, after full trial, TFG's claim was dismissed by the Sessions Court Judge and KFM's counterclaim was allowed with costs to be paid by TFG to KFM amounting to the sum of RM15,162. Following the judgement on 16 August 2010, TFG filed a notice of appeal on 25 August 2010 to Penang High Court. Following the receipt of Form 141 from the Court, TFG has further filed the Memorandum of Appeal and Record of Appeal on 27 December 2010 and 18 January 2011 respectively. Hearing date for the appeal was fixed on 6 May 2011.

On 27 May 2011, the decision was pronounced by the Penang High Court and the Judge has allowed TFG's appeal and dismissed the counterclaims of KFM with costs to be taxed by parties. KFM has also filed a stay of execution of the judgement at the High Court on 4 July 2011 pending the disposal of the leave to appeal application at the Court of Appeal. Case management is fixed for 23 August 2011 for parties to exhaust affidavits. No hearing dates have been fixed for the stay application.

B13 Dividend

The dividend in respect of financial year ending 31 December 2011, of 1.4 sen per share tax exempt on 120,000,000 ordinary shares, amounting to RM1,680,000 (2010: RM1,680,000) was paid on 17 June 2011.

KAWAN FOOD BERHAD (640445-V)
(Incorporated in Malaysia)

B14 Earning per share ("EPS")

| | 3 months ended 30 Jun 2011 | 3 months ended 30 Jun 2010 | Year-to-date ended 30 Jun 2011 | Year-to-date ended 30 Jun 2010 |
|---|----------------------------------|----------------------------------|--------------------------------------|--------------------------------------|
| Profit attributable to equity holders of the parent (RM'000) | 2,736 | 3,256 | 5,810 | 6,462 |
| 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) | 2.28 | 2.71 | 4.84 | 5.38 |

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: 22 August 2011