

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

*Condensed Consolidated Statement of Comprehensive Income*  
*For the Nine Months Ended 30 September 2011 - Unaudited*

	Note	3 months ended		9 months ended	
		30.9.2011	30.9.2010	30.9.2011	30.9.2010
		RM	RM	RM	RM
<b>Revenue</b>	<b>A8</b>	25,469,311	24,309,861	75,990,139	70,433,635
Cost of sales		(15,989,076)	(12,868,131)	(46,394,477)	(38,992,536)
<b>Gross profit</b>		9,480,235	11,441,730	29,595,662	31,441,099
Other income		140,593	120,752	382,583	485,528
Selling & distribution expenses		(3,572,395)	(2,638,811)	(10,801,969)	(9,547,687)
Administrative expenses		(1,626,360)	(3,107,545)	(6,685,145)	(7,652,598)
Finance costs		(113,004)	(156,639)	(380,622)	(444,889)
<b>Profit before tax</b>		4,309,069	5,659,487	12,110,509	14,281,453
Income tax expense	<b>B5</b>	(1,235,207)	(1,893,354)	(3,238,397)	(4,057,619)
<b>Profit for the period</b>		3,073,862	3,766,133	8,872,112	10,223,834
<b>Other comprehensive income, net of tax</b>					
Exchange differences on translation of foreign operations		1,733,593	(524,749)	1,654,984	(1,951,968)
<b>Other comprehensive profit/(loss), net of tax</b>		1,733,593	(524,749)	1,654,984	(1,951,968)
<b>Total comprehensive income for the period</b>		4,807,455	3,241,384	10,527,096	8,271,866
<b>Profit attributable to:</b>					
Owners of the company		3,049,221	3,766,133	8,859,335	10,228,094
Non-controlling interest		24,641	-	12,777	(4,260)
<b>Profit for the period</b>		3,073,862	3,766,133	8,872,112	10,223,834
<b>Total comprehensive income attributable to:</b>					
Owners of the company		4,782,814	3,241,384	10,514,319	8,276,126
Non-controlling interest		24,641	-	12,777	(4,260)
<b>Total comprehensive income for the period</b>		4,807,455	3,241,384	10,527,096	8,271,866
<b>Earning per share</b>					
Basic earnings per ordinary share (sen)	<b>B14</b>	2.54	3.14	7.38	8.52

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 September 2011 - Unaudited*

	<b>unaudited</b> <b>30.9.2011</b> <b>RM</b>	<b>audited</b> <b>31.12.2010</b> <b>RM</b>
<b>Assets</b>		
Property, plant and equipment	66,934,536	65,463,447
Investment properties	2,751,000	2,756,977
Deferred tax assets	144,182	88,433
<b>Total non-current assets</b>	<u>69,829,718</u>	<u>68,308,857</u>
Other investments, including derivatives	-	763,770
Inventories	5,908,826	5,530,480
Current tax assets	1,541,573	2,425,358
Trade and other receivables	23,473,263	18,607,222
Cash and cash equivalents	25,591,012	23,034,299
<b>Total current assets</b>	<u>56,514,674</u>	<u>50,361,129</u>
<b>Total assets</b>	<u><u>126,344,392</u></u>	<u><u>118,669,986</u></u>
<b>Equity</b>		
Share capital	60,000,000	60,000,000
Reserves	42,787,742	33,953,423
<b>Total equity attributable to owners of the company</b>	<u>102,787,742</u>	<u>93,953,423</u>
<b>Non-controlling interest</b>	12,777	-
<b>Total equity</b>	<u>102,800,519</u>	<u>93,953,423</u>
<b>Liabilities</b>		
Loans and borrowings	4,193,757	4,858,897
Deferred tax liabilities	2,348,430	2,348,430
<b>Total non-current liabilities</b>	<u>6,542,187</u>	<u>7,207,327</u>
Loan and borrowings	890,827	1,136,291
Trade and other payables	15,724,939	16,174,635
Derivative Financial Instrument	292,100	-
Current tax liabilities	93,820	198,310
<b>Total current liabilities</b>	<u>17,001,686</u>	<u>17,509,236</u>
<b>Total liabilities</b>	<u>23,543,873</u>	<u>24,716,563</u>
<b>Total equity and liabilities</b>	<u><u>126,344,392</u></u>	<u><u>118,669,986</u></u>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	<u>0.86</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**  
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*Condensed Consolidated Statement of Changes in Equity*  
*For the Nine Months Ended 30 September 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
<b>At 1 January 2010 - restated</b>	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)
<b>At 31 December 2010/January 2011</b>	60,000,000	(622,271)	34,575,694	93,953,423	-	93,953,423
Total comprehensive income for the period	-	1,654,984	8,859,335	10,514,319	12,777	10,527,096
Dividend	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
<b>At 30 September 2011</b>	60,000,000	1,032,713	41,755,029	102,787,742	12,777	102,800,519

**KAWAN FOOD BERHAD**  
**(Company No: 640445-V)**  
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*Condensed Consolidated Statement of Cash Flows*  
*For the Nine Months Ended 30 September 2011 - Unaudited*

	<b>9 months ended</b>	
	<b>30.9.2011</b>	<b>30.9.2010</b>
	<b>RM</b>	<b>RM</b>
<b>Cash flows from operating activities</b>		
Profit before tax	12,110,509	14,281,453
Adjustments for:		
Depreciation and amortisation	4,042,144	3,822,826
Loss on disposal of plant and equipment	4,779	197,261
Interest expense	201,202	349,031
Interest income	(112,322)	(89,793)
Unrealised foreign exchange differences	(646,787)	193,883
<i>Operating profit before working capital changes</i>	<u>15,599,525</u>	<u>18,754,661</u>
Changes in working capital:		
Inventories	(378,346)	286,498
Trade and other receivables	(3,810,171)	(2,403,602)
Trade and other payables	(449,695)	450,630
<i>Cash generated from operations</i>	<u>10,961,313</u>	<u>17,088,187</u>
Income tax paid	(2,525,933)	(3,202,260)
<b>Net cash generated from operating activities</b>	<u>8,435,380</u>	<u>13,885,927</u>
<b>Cash flows from investing activities</b>		
Interest received	112,322	89,793
Proceeds from disposal of plant and equipment	11,000	7,200
Purchase of property, plant and equipment	(3,496,437)	(3,769,632)
<b>Net cash used in investing activities</b>	<u>(3,373,115)</u>	<u>(3,672,639)</u>
<b>Cash flows from financing activities</b>		
Dividend paid	(1,680,000)	(1,680,000)
Interest paid	(201,202)	(349,031)
Repayment of borrowings	(910,601)	(1,527,590)
<b>Net cash used in financing activities</b>	<u>(2,791,803)</u>	<u>(3,556,621)</u>
<b>Net increase in cash and cash equivalents</b>	2,270,462	6,656,667
<b>Effect of changes in foreign exchange rate</b>	240,498	(361,025)
<b>Cash and cash equivalents at beginning of period</b>	<u>23,034,299</u>	<u>16,626,907</u>
<b>Cash and cash equivalents at end of period</b>	<u>25,545,259</u>	<u>22,922,549</u>

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

	<b>As at</b>	<b>As at</b>
	<b>30.9.2011</b>	<b>30.9.2010</b>
	<b>RM</b>	<b>RM</b>
Deposits placed with licensed banks	5,009,943	929,726
Cash and bank balances	20,535,316	21,992,823
	<u>25,545,259</u>	<u>22,922,549</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.

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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**

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	-	69,679	72,330	(66,019)	75,990
Results	153	7,999	6,577	(2,238)	12,491
Finance cost					(381)
Taxation					(3,238)
Profit after tax					8,872

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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	
	30 Sep 2011	30 Sep 2010	30 Sep 2011	30 Sep 2010
	RM'000	RM'000	RM'000	RM'000
Malaysia	12,498	11,251	32,623	28,207
Rest of Asia	2,927	3,843	8,852	10,111
Europe	2,728	2,752	9,252	9,173
North America	5,841	4,687	21,137	18,293
Oceania	1,334	1,777	3,985	4,650
Africa	141	-	141	-
Consolidated	<u>25,469</u>	<u>24,310</u>	<u>75,990</u>	<u>70,434</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 September 2011 is as follows:

	RM'000
<b>Property, plant and equipment</b>	
Contracted but not provided for	<u>838</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 30 September 2011 are as follows:

	Current Quarter Ended 30 Sep 2011 RM'000	Year-to-date Ended 30 Sep 2011 RM'000
Transactions with a company in which Gan Thiam Chai, a Director of the Company has interests:		
Hot & Roll Sdn Bhd		
-Sales	95	279
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	446
-Purchases	114	522
Transactions with companies in which Nareshchandra Gordhandas Nagrecha and Jayendra Janardan Ved, Directors of the Company have interest.		
Shana Foods Limited		
-Sales	1,726	6,709
Rubicon Food Products Limited		
-Sales	596	1,955

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 30 Sep 2011 RM'000
- Realised	70,499
-Unrealised	<u>(2,140)</u>
	68,359
Consolidation adjustments	<u>(26,604)</u>
Total Group retained profits as per consolidated accounts	<u>41,755</u>

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

**B1 Review of performance**

The Group registered a turnover of RM25.47 million for the current quarter ended 30 September 2011 which was 4.8% increase as compared to RM24.31 million achieved in the corresponding quarter of the preceding year. Profit after tax ("PAT") decreased from RM3.77 million to RM3.07 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 higher turnover of RM25.47 million for the current quarter under review compared to the immediate preceding quarter of RM24.65 million.

The profit before tax increased to RM4.31 million for the current quarter from RM3.82 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 outlook for the global economy is uncertain due to unfavourable conditions in both United States and Europe. The continued volatility in USD/RM exchange rates will impact both revenue and profits.

The group will monitor these development and will continue to strengthen its efforts to improve overall efficiencies.

The Board expects the performance of the group to remain profitable.

**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 Sep 2011 RM'000	Year-to-date Ended 30 Sep 2011 RM'000
Tax expense		
-Current period	1,238	3,294
Deferred tax expense		
-origination and reversal of temporary differences	(3)	(56)
Total	<u>1,235</u>	<u>3,238</u>

The effective tax rate of the Group for the financial period under review is higher than the statutory tax rate. This are mainly due to certain expenses are non-tax deductible and under provision of income tax last year.

**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 Extraordianry 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.

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**B9 Borrowings (secured)**

	As at 30 Sep 2011 RM'000	As at 30 Sep 2010 RM'000
Short term borrowings:		
Term loans	891	1,346
Finance lease liability	-	113
	<u>891</u>	<u>1,459</u>
Long term borrowings:		
Term loans	4,194	5,055
Finance lease liability	-	-
	<u>4,194</u>	<u>5,055</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	3,500	3.1055	10,869	(292)

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.

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**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 filed a stay of execution of the judgement at the High Court on 4 July 2011 and leave to appeal to the Appeal Court. This has now been granted by the Appeal Committee on 26 August 2011. The Notice of appeal was registered as filed and KFM will put in the Record of Appeal by 13 December 2011.

**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.

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**B14 Earning per share ("EPS")**

	3 months ended 30 Sep 2011	3 months ended 30 Sep 2010	Year-to-date ended 30 Sep 2011	Year-to-date ended 30 Sep 2010
Profit attributable to equity holders of the parent (RM'000)	3,049	3,766	8,859	10,228
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)	2.54	3.14	7.38	8.52

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: 21 November 2011