

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

Condensed Consolidated Statement of Comprehensive Income
For the Twelve Months Ended 31 December 2011 - Unaudited

	Note	3 months ended		12 months ended	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
		RM	RM	RM	RM
Revenue	A8	28,037,300	21,754,257	104,027,439	92,187,892
Cost of sales		(15,543,775)	(12,749,717)	(61,938,252)	(51,742,253)
Gross profit		12,493,525	9,004,540	42,089,187	40,445,639
Other income		472,444	114,690	855,027	600,218
Selling & distribution expenses		(4,959,506)	(2,995,863)	(15,761,475)	(12,543,550)
Administrative expenses		(1,877,995)	(2,438,976)	(8,563,140)	(10,091,574)
Finance costs		(121,671)	(155,896)	(502,293)	(600,785)
Profit before tax		6,006,797	3,528,495	18,117,306	17,809,948
Income tax expense	B5	(670,941)	406,872	(3,909,338)	(3,650,747)
Profit for the period		5,335,856	3,935,367	14,207,968	14,159,201
Other comprehensive income, net of tax					
Exchange differences on translation of foreign operations		65,051	156,278	1,720,035	(1,795,690)
Other comprehensive profit/(loss), net of tax		65,051	156,278	1,720,035	(1,795,690)
Total comprehensive income for the period		5,400,907	4,091,645	15,928,003	12,363,511
Profit attributable to:					
Owners of the company		5,346,973	3,935,367	14,206,308	14,163,461
Non-controlling interest		(11,117)	-	1,660	(4,260)
Profit for the period		5,335,856	3,935,367	14,207,968	14,159,201
Total comprehensive income attributable to:					
Owners of the company		5,412,024	4,091,645	15,926,343	12,367,771
Non-controlling interest		(11,117)	-	1,660	(4,260)
Total comprehensive income for the period		5,400,907	4,091,645	15,928,003	12,363,511
Earning per share					
Basic earnings per ordinary share (sen)	B14	4.46	3.28	11.84	11.80

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
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Condensed Consolidated Statement of Financial Position
As at 31 December 2011 - Unaudited

	unaudited 31.12.2011 RM	audited 31.12.2010 RM
Assets		
Property, plant and equipment	71,246,201	65,463,447
Investment properties	2,741,904	2,756,977
Deferred tax assets	98,124	88,433
Total non-current assets	<u>74,086,229</u>	<u>68,308,857</u>
Other investments, including derivatives	-	763,770
Inventories	6,466,550	5,530,480
Current tax assets	2,142,650	2,425,358
Trade and other receivables	24,390,095	18,607,222
Cash and cash equivalents	22,007,802	23,034,299
Total current assets	<u>55,007,097</u>	<u>50,361,129</u>
Total assets	<u><u>129,093,326</u></u>	<u><u>118,669,986</u></u>
Equity		
Share capital	60,000,000	60,000,000
Reserves	48,199,766	33,953,423
Total equity attributable to owners of the company	<u>108,199,766</u>	<u>93,953,423</u>
Non-controlling interest	1,660	-
Total equity	<u>108,201,426</u>	<u>93,953,423</u>
Liabilities		
Loans and borrowings	3,971,235	4,858,897
Deferred tax liabilities	2,283,504	2,348,430
Total non-current liabilities	<u>6,254,739</u>	<u>7,207,327</u>
Loan and borrowings	900,682	1,136,291
Trade and other payables	13,056,704	16,174,635
Derivative Financial Instrument	355,203	-
Current tax liabilities	324,572	198,310
Total current liabilities	<u>14,637,161</u>	<u>17,509,236</u>
Total liabilities	<u>20,891,900</u>	<u>24,716,563</u>
Total equity and liabilities	<u><u>129,093,326</u></u>	<u><u>118,669,986</u></u>
Net assets per share attributable to equity holders of the parent (RM)	<u>0.90</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 Twelve Months Ended 31 December 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	-	1,720,035	14,206,308	15,926,343	1,660	15,928,003
Dividend	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
At 31 December 2011	60,000,000	1,097,764	47,102,002	108,199,766	1,660	108,201,426

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Condensed Consolidated Statement of Cash Flows
For the Twelve Months Ended 31 December 2011 - Unaudited

	12 months ended	
	31.12.2011	31.12.2010
	RM	RM
Cash flows from operating activities		
Profit before tax	18,117,306	17,809,948
Adjustments for:		
Depreciation and amortisation	5,266,530	5,162,353
Loss on disposal of plant and equipment	5,007	196,788
Interest expense	263,976	317,722
Interest income	(188,467)	(115,231)
Impairment loss on goodwill	-	204,230
Unrealised foreign exchange differences	(586,986)	119,699
<i>Operating profit before working capital changes</i>	<u>22,877,366</u>	<u>23,695,509</u>
Changes in working capital:		
Inventories	(936,070)	45,021
Trade and other receivables	(4,663,900)	(1,438,091)
Trade and other payables	(3,117,930)	537,198
<i>Cash generated from operations</i>	<u>14,159,466</u>	<u>22,839,637</u>
Income tax paid	(3,584,197)	(5,037,540)
Net cash generated from operating activities	<u>10,575,269</u>	<u>17,802,097</u>
Cash flows from investing activities		
Interest received	188,467	115,231
Proceeds from disposal of plant and equipment	11,000	15,200
Purchase of property, plant and equipment	(8,799,244)	(7,688,849)
Net cash used in investing activities	<u>(8,599,777)</u>	<u>(7,558,418)</u>
Cash flows from financing activities		
Dividend paid	(1,680,000)	(1,680,000)
Interest paid	(263,976)	(317,722)
Repayment of borrowings	(1,123,267)	(2,046,430)
Net cash used in financing activities	<u>(3,067,243)</u>	<u>(4,044,152)</u>
Net (decrease)/increase in cash and cash equivalents	(1,091,751)	6,199,527
Effect of changes in foreign exchange rate	65,254	207,865
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>22,007,802</u>	<u>23,034,299</u>

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

	As at	As at
	31.12.2011	31.12.2010
	RM	RM
Short-term fund	9,266,459	2,671,977
Cash and bank balances	12,741,343	20,362,322
	<u>22,007,802</u>	<u>23,034,299</u>

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

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

Business segmental information therefore has not been prepared as all the Group's revenue, operating profit, assets employed, liabilities, depreciation and amortisation, and non-cash expenses are mainly confined to one business segment.

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 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	RM'000	RM'000	RM'000	RM'000
Malaysia	12,553	10,226	45,176	38,433
Rest of Asia	3,944	2,667	12,796	12,778
Europe	1,997	932	11,249	10,105
North America	7,789	6,327	28,926	24,620
Oceania	1,754	1,602	5,739	6,252
Africa	-	-	141	-
Consolidated	28,037	21,754	104,027	92,188

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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 December 2011 is as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>12,012</u>

A14 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 Dec 2012 RM'000
- Realised	71,813
-Unrealised	<u>(2,530)</u>
	69,283
Consolidation adjustments	<u>(22,181)</u>
Total Group retained profits as per consolidated accounts	<u>47,102</u>

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A15 Related party transactions

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

	Current Quarter Ended 31 Dec 2011 RM'000	Year-to-date Ended 31 Dec 2011 RM'000
Transactions with a company in which Gan Thiam Chai, a Director of the Company has interests:		
Hot & Roll Sdn Bhd		
-Sales	142	421
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	208	654
-Purchases	167	689
Transaction with a company in which the daughters of Gan Thiam Chai and Kwan Sok Kay and the son of Gan Thiam Hock, Directors of the Company have interests:		
Food Valley Sdn Bhd		
-Purchases	1,745	7,516
Transactions with companies in which Nareshchandra Gordhandas Nagrecha and Jayendra Janardan Ved, Directors of the Company have interest.		
Shana Foods Limited		
-Sales	1,363	8,072
Rubicon Food Products Limited		
-Sales	422	2,377

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

Comparison results of current quarter and previous year corresponding quarter

For the current quarter ended 31 December 2011, the Group recorded a higher revenue of RM28.04 million against RM21.75 million in the corresponding quarter ended 31 December 2010, an increase of 28.9% was due to higher sales registered and favorable RM/USD exchange rate.

Profit after taxation for the Group increased by 35.6% or RM1.4 million compared to the corresponding quarter ended 31 December 2010, mainly attributed to the record sales for the quarter and favorable RM/USD exchange rate.

Comparison results of current year-to-date and previous year-to-date

For the year, the Group achieved sales of RM104 million, 12.8% higher than the preceding year, led by continued strong consumer demand for the Group's products.

Profit after taxation has increased to RM14.21 million compared to RM14.16 million in the previous year, despite the higher raw material prices. The higher profit after tax was mainly attributed to volume growth and selling price adjustments..

B2 Variance of quarterly results compared to preceding quarter

The Group recorded a higher turnover of RM28.4 million for the current quarter under review compared to the immediate preceding quarter of RM25.47 million.

The profit before tax increased to RM6.01 million for the current quarter from RM4.31 million registered in the immediate preceding quarter. The increase were due to higher sales generated and favorable RM/USD exchange rate 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 31 Dec 2011 RM'000	Year-to-date Ended 31 Dec 2011 RM'000
Tax expense		
-Current year	505	3,799
-Prior year	185	185
Deferred tax expense		
-origination and reversal of temporary differences	(19)	(75)
Total	<u>671</u>	<u>3,909</u>

The effective tax rate of the Group for the financial period under review is lower than the statutory tax rate. These are mainly due to availability of reinvestment allowances 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

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.

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B9 Borrowings (secured)

	As at 31 Dec 2011 RM'000	As at 31 Dec 2010 RM'000
Short term borrowings:		
Term loans	901	1,058
Finance lease liability	-	78
	<u>901</u>	<u>1,136</u>
Long term borrowings:		
Term loans	3,971	4,859
Finance lease liability	-	-
	<u>3,971</u>	<u>4,859</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	3,400	3.0700	10,438	(355)

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 already filed in the Record of Appeal.

At the date of this announcement, no hearing date has been fixed.

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 31 Dec 2011	3 months ended 31 Dec 2010	Year-to-date ended 31 Dec 2011	Year-to-date ended 31 Dec 2010
Profit attributable to equity holders of the parent (RM'000)	5,347	3,935	14,206	14,163
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)	4.46	3.28	11.84	11.80

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 February 2012