

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

*Condensed Consolidated Statement of Comprehensive Income*  
*For the Three Months Ended 31 March 2012 - Unaudited*

	3 months ended		3 months ended	
	31.3.2012	31.3.2011	31.3.2012	31.3.2011
	RM	RM	RM	RM
<b>Revenue</b>	23,593,743	25,870,177	23,593,743	25,870,177
Cost of sales	(13,872,274)	(15,645,323)	(13,872,274)	(15,645,323)
<b>Gross profit</b>	9,721,469	10,224,854	9,721,469	10,224,854
Other income	221,873	111,307	221,873	111,307
Selling & distribution expenses	(4,477,207)	(3,653,666)	(4,477,207)	(3,653,666)
Administrative expenses	(2,649,152)	(2,569,261)	(2,649,152)	(2,569,261)
Finance costs	(116,883)	(136,364)	(116,883)	(136,364)
<b>Profit before tax</b>	2,700,100	3,976,870	2,700,100	3,976,870
Income tax expense	(619,798)	(985,078)	(619,798)	(985,078)
<b>Profit for the period</b>	2,080,302	2,991,792	2,080,302	2,991,792
<b>Other comprehensive loss, net of tax</b>				
Exchange differences on translation of foreign operations	(870,813)	(300,318)	(870,813)	(300,318)
<b>Other comprehensive loss, net of tax</b>	(870,813)	(300,318)	(870,813)	(300,318)
<b>Total comprehensive income for the period</b>	1,209,489	2,691,474	1,209,489	2,691,474
<b>Profit attributable to:</b>				
Owners of the company	2,103,362	3,074,048	2,103,362	3,074,048
Non-controlling interest	(23,060)	(82,256)	(23,060)	(82,256)
<b>Profit for the period</b>	2,080,302	2,991,792	2,080,302	2,991,792
<b>Total comprehensive income attributable to:</b>				
Owners of the company	1,232,549	2,773,730	1,232,549	2,773,730
Non-controlling interest	(23,060)	(82,256)	(23,060)	(82,256)
<b>Total comprehensive income for the period</b>	1,209,489	2,691,474	1,209,489	2,691,474
<b>Earning per share</b>				
Basic earnings per ordinary share (sen)	1.75	2.56	1.75	2.56

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

	<b>unaudited</b> <b>31.3.2012</b> <b>RM</b>	<b>audited</b> <b>31.12.2011</b> <b>RM</b>
<b>Assets</b>		
Property, plant and equipment	66,926,732	65,486,408
Investment properties	2,712,893	2,741,819
Prepaid lease payments	2,795,002	2,907,654
Deferred tax assets	80,101	98,123
<b>Total non-current assets</b>	<u>72,514,728</u>	<u>71,234,004</u>
Other investments, including derivatives	11,463,360	5,207,687
Inventories	7,324,799	6,466,552
Current tax assets	1,906,560	2,629,880
Trade, other receivables and prepayments	20,387,752	27,560,450
Cash and cash equivalents	15,882,922	16,800,116
<b>Total current assets</b>	<u>56,965,393</u>	<u>58,664,685</u>
<b>Total assets</b>	<u><u>129,480,121</u></u>	<u><u>129,898,689</u></u>
<b>Equity</b>		
Share capital	60,000,000	60,000,000
Reserves	49,432,310	48,199,761
<b>Total equity attributable to owners of the company</b>	<u>109,432,310</u>	<u>108,199,761</u>
<b>Non-controlling interest</b>	<u>(21,400)</u>	<u>1,660</u>
<b>Total equity</b>	<u><u>109,410,910</u></u>	<u><u>108,201,421</u></u>
<b>Liabilities</b>		
Loans and borrowings	3,744,148	3,971,234
Deferred tax liabilities	2,283,504	2,283,504
<b>Total non-current liabilities</b>	<u>6,027,652</u>	<u>6,254,738</u>
Loan and borrowings	911,067	900,682
Trade and other payables	12,806,774	13,374,843
Derivative Financial Instrument	9,800	355,203
Current tax liabilities	313,918	811,802
<b>Total current liabilities</b>	<u>14,041,559</u>	<u>15,442,530</u>
<b>Total liabilities</b>	<u>20,069,211</u>	<u>21,697,268</u>
<b>Total equity and liabilities</b>	<u><u>129,480,121</u></u>	<u><u>129,898,689</u></u>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	<u>0.91</u>	<u>0.90</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2011 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 Three Months Ended 31 March 2012 - 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 2011</b>	60,000,000	(622,271)	34,575,694	93,953,423	-	93,953,423
Total other comprehensive income for the year						
-Foreign currency translation differences for foreign operations	-	1,720,037	-	1,720,037	-	1,720,037
Profit for the year	-	-	14,206,301	14,206,301	1,660	14,207,961
Total comprehensive income for the year	-	1,720,037	14,206,301	15,926,338	1,660	15,927,998
Dividends to owners of the Company	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
<b>At 31 December 2011/1 January 2012</b>	60,000,000	1,097,766	47,101,995	108,199,761	1,660	108,201,421
Total other comprehensive loss for the period						
-Foreign currency translation differences for foreign operations	-	(870,813)	-	(870,813)	-	(870,813)
Profit for the period	-	-	2,103,362	2,103,362	(23,060)	2,080,302
Total comprehensive (loss)/income for the period	-	(870,813)	2,103,362	1,232,549	(23,060)	1,209,489
<b>At 31 March 2012</b>	60,000,000	226,953	49,205,357	109,432,310	(21,400)	109,410,910

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2011 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 Cash Flows*  
*For the Three Months Ended 31 March 2012 - Unaudited*

	<b>3 months ended</b>	
	<b>31.3.2012</b>	<b>31.3.2011</b>
	<b>RM</b>	<b>RM</b>
<b>Cash flows from operating activities</b>		
Profit before tax	2,700,100	3,976,870
Adjustments for:		
Depreciation and amortisation	1,683,628	1,321,493
Loss on disposal of plant and equipment	(4,114)	-
Interest expense	58,738	69,867
Interest income	(91,943)	(23,319)
Unrealised foreign exchange differences	231,283	76,210
<i>Operating profit before working capital changes</i>	<u>4,577,692</u>	<u>5,421,121</u>
Changes in working capital:		
Inventories	(858,249)	(602,067)
Trade and other receivables	3,656,935	(4,356,518)
Trade and other payables	(249,930)	1,332,177
<i>Cash generated from operations</i>	<u>7,126,448</u>	<u>1,794,713</u>
Income tax paid	(365,685)	(860,808)
<b>Net cash generated from operating activities</b>	<u>6,760,763</u>	<u>933,905</u>
<b>Cash flows from investing activities</b>		
Interest received	91,943	23,319
Investment in unit trust	(6,255,673)	-
Proceeds from disposal of plant and equipment	4,500	-
Purchase of property, plant and equipment	(1,171,746)	(800,015)
<b>Net cash used in investing activities</b>	<u>(7,330,976)</u>	<u>(776,696)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(58,738)	(69,867)
Repayment of borrowings	(216,703)	(444,651)
<b>Net cash used in financing activities</b>	<u>(275,441)</u>	<u>(514,518)</u>
<b>Net decrease in cash and cash equivalents</b>	(845,654)	(357,309)
<b>Effect of changes in foreign exchange rate</b>	(71,540)	(43,573)
<b>Cash and cash equivalents at beginning of period</b>	<u>16,800,116</u>	<u>23,034,299</u>
<b>Cash and cash equivalents at end of period</b>	<u>15,882,922</u>	<u>22,633,417</u>

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

	<b>As at</b>	<b>As at</b>
	<b>31.3.2012</b>	<b>31.3.2011</b>
	<b>RM</b>	<b>RM</b>
Short-term fund	3,663,493	1,785,524
Cash and bank balances	12,219,429	20,847,893
	<u>15,882,922</u>	<u>22,633,417</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2012**

**1 Accounting policies and basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011. 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 2011, except for the adoption of the following new standards, amendments to and interpretations on existing standards which are applicable in accordance to Group's financial statements.

The Group adopted the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS") with effect from 1 January 2012. In adopting the new framework, the Group has applied MFRS 1: First Time Adoption of MFRS. The adoption of MFRS1 did not result in any significant impact on the financial statements of the Group. Accordingly, the financial statements have been properly drawn up in accordance with MFRS.

**MFRSs or Amendments to MFRSs and Interpretations effective for financial year beginning on 1 January 2012**

Amendment to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendment to MFRS1	First-time Adoption of Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendment to MFRS7	Financial Instruments : Disclosures - Transfers of Financial Assets
Amendment to MFRS112	Income Taxes - Deferred Tax: Recovery of Underlying Assets

The application of the above MFRSs, Amendments to MFRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

**2 Qualification of financial statements**

The financial statements of the Company and its subsidiaries for the financial year ended 31 December 2011 were not qualified.

**3 Seasonal or cyclical factors**

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2012**

**4 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.

**5 Changes in estimates**

There were no changes in estimates that have had material effect in the current quarter results.

**6 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.

**7 Dividend proposed, declared and paid**

There were no dividends paid during the quarter under review.

**8 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 Mar 2012	31 Mar 2011	31 Mar 2012	31 Mar 2011
	RM'000	RM'000	RM'000	RM'000
Malaysia	10,859	10,582	10,859	10,582
Rest of Asia	3,476	3,116	3,476	3,116
Europe	2,426	2,888	2,426	2,888
North America	6,007	8,436	6,007	8,436
Oceania	826	848	826	848
Consolidated	<u>23,594</u>	<u>25,870</u>	<u>23,594</u>	<u>25,870</u>

**9 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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**(Incorporated in Malaysia)**

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2012**

**10 Material events subsequent to the end of the interim period**

On 12 April 2012, a subsidiary, Kawan Food Confectionery Sdn Bhd, increased its authorised share capital from RM100,000 divided into 100,000 ordinary shares of RM1.00 each to RM500,000 divided into 500,000 ordinary shares of RM1.00 each by the creation of 400,000 ordinary shares of RM1.00 each.

On the same date, the issued and paid up share capital of the subsidiary was increased from RM2 to RM300,000 by way of issuance of 299,998 new ordinary shares of RM1.00 each, at par. These shares are ranked in all respects pari passu with the existing ordinary shares of the subsidiary.

**11 Changes in the composition of the Group**

There were no changes in the composition of the Group during the current quarter under review.

**12 Contingent liabilities**

The Board is not aware of any material contingent liabilities incurred by the Group for the current quarter under review.

**13 Capital commitments**

The capital commitments of the Group as at 31 March 2012 is as follows:

	RM'000
<b>Property, plant and equipment</b>	
Contracted but not provided for	<u>11,698</u>

**14 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 2012	As at 31 Dec 2011
	RM'000	RM'000
- Realised	76,726	75,613
- Unrealised	(5,536)	(6,330)
	<u>71,190</u>	<u>69,283</u>
Consolidation adjustments	(21,985)	(22,181)
Total Group retained profits as per consolidated accounts	<u>49,205</u>	<u>47,102</u>

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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2012**

**15 Related party transactions**

The Group's related party transactions in the current quarter and the cumulative period-to-date ended 31 March 2012 are as follows:

	Current Quarter Ended 31 Mar 2012 RM'000	Year-to-date Ended 31 Mar 2012 RM'000
Transactions with a company in which Gan Thiam Chai, a Director of the Company has interests:		
Hot & Roll Sdn Bhd		
-Sales	185	185
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	143	143
-Purchases	206	206
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	1,773	1,773
Transactions with companies in which Nareshchandra Gordhandas Nagrecha and Jayendra Janardan Ved, Directors of the Company have interest.		
Shana Foods Limited		
-Sales	1,634	1,634
Rubicon Food Products Limited		
-Sales	1,009	1,009

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.



**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2012**

**16 Review of performance**

**Comparison results of current quarter and previous year corresponding quarter**

For the current quarter ended 31 March 2012, the Group recorded a lower revenue of RM23.6 million against RM25.9 million in the corresponding quarter ended 31 March 2011, an decrease of 8.9% was due to lower sales registered from North America and Europe region.

Profit after taxation for the Group decreased by 30% or RM0.9 million compared to the corresponding quarter ended 31 March 2011, mainly attributed to the higher advertisement and promotion expenses from Malaysia market.

**17 Variance of quarterly results compared to preceding quarter**

The Group recorded a lower turnover of RM23.6 million for the current quarter under review compared to the immediate preceding quarter of RM28.4 million.

The profit before tax decreased to RM2.7 million for the current quarter from RM6 million registered in the immediate preceding quarter. The decrease were due to lower sales generated and unfavorable RM/USD exchange rate in the current quarter compared to the immediate preceding quarter.

**18 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.

**19 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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**(Incorporated in Malaysia)**

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2012**

**20 Profit before tax**

The following have been included in arriving at profit before tax:

	3 months ended 31 Mar 2012 RM'000	3 months ended 31 Mar 2011 RM'000	Year-to-date ended 31 Mar 2012 RM'000	Year-to-date ended 31 Mar 2011 RM'000
Interest income	(92)	(23)	(92)	(23)
Other income	(130)	(88)	(130)	(88)
Interest expense	59	70	59	70
Depreciation and amortisation	1,684	1,321	1,684	1,321
Foreign exchange loss	323	231	323	231
Gain on disposal of property, plant and equipment	(4)	-	(4)	-
Provision for and write-off of receivables	-	(3)	-	(3)

**21 Taxation**

	Current Quarter Ended 31 Mar 2012 RM'000	Year-to-date Ended 31 Mar 2012 RM'000
Tax expense		
-Current year	602	602
Deferred tax expense		
-origination and reversal of temporary differences	18	18
Total	<u>620</u>	<u>620</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.

**22 Corporate Proposals**

There was no corporate proposal announced but not completed as at date of this report.

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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2012**

**23 Borrowings (secured)**

	As at 31 Mar 2012 RM'000	As at 31 Mar 2011 RM'000
Short term borrowings:		
Term loans	911	862
Finance lease liability	-	45
	<u>911</u>	<u>907</u>
Long term borrowings:		
Term loans	<u>3,744</u>	<u>4,643</u>

The borrowings are denominated in Malaysia Ringgit

**24 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.

The next hearing is on 19 July 2012.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2012**

**25 Dividend**

The Board declared an interim dividend of 2.4 sen per ordinary share less tax at 25% in respect of the financial year ending 31 December 2012 (2011: 1.4 sen tax exempt dividend). The dividend is payable on 31 May 2012.

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

	3 months ended 31 Mar 2012	3 months ended 31 Mar 2011	Year-to-date ended 31 Mar 2012	Year-to-date ended 31 Mar 2011
Profit attributable to equity holders of the parent (RM'000)	2,103	3,074	2,103	3,074
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>1.75</u>	<u>2.56</u>	<u>1.75</u>	<u>2.56</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: 30 May 2012