

Condensed Consolidated Statement of Comprehensive Income
For the Three Months Ended 31 March 2013 - Unaudited

	3 months ended		3 months ended	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
	RM	RM	RM	RM
Revenue	28,339,684	23,593,743	28,339,684	23,593,743
Cost of sales	(16,966,840)	(13,872,274)	(16,966,840)	(13,872,274)
Gross profit	11,372,844	9,721,469	11,372,844	9,721,469
Other income	155,019	221,873	155,019	221,873
Selling & distribution expenses	(4,837,144)	(4,477,207)	(4,837,144)	(4,477,207)
Administrative expenses	(2,448,164)	(2,649,152)	(2,448,164)	(2,649,152)
Finance costs	(109,316)	(116,883)	(109,316)	(116,883)
	4,133,239	2,700,100	4,133,239	2,700,100
Share of loss of equity-accounted investees, net of tax	(45,239)	-	(45,239)	-
Profit before tax	4,088,000	2,700,100	4,088,000	2,700,100
Income tax expense	(951,655)	(619,798)	(951,655)	(619,798)
Profit for the period	3,136,345	2,080,302	3,136,345	2,080,302
Other comprehensive profit, net of tax				
Exchange differences on translation of foreign operations	405,426	(870,813)	405,426	(870,813)
Other comprehensive profit, net of tax	405,426	(870,813)	405,426	(870,813)
Total comprehensive income for the period	3,541,771	1,209,489	3,541,771	1,209,489
Profit attributable to:				
Owners of the company	3,142,591	2,103,362	3,142,591	2,103,362
Non-controlling interest	(6,246)	(23,060)	(6,246)	(23,060)
Profit for the period	3,136,345	2,080,302	3,136,345	2,080,302
Total comprehensive income attributable to:				
Owners of the company	3,548,017	1,232,549	3,548,017	1,232,549
Non-controlling interest	(6,246)	(23,060)	(6,246)	(23,060)
Total comprehensive income for the period	3,541,771	1,209,489	3,541,771	1,209,489
Earning per share				
Basic earnings per ordinary share (sen)	2.62	1.75	2.62	1.75

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Financial Position
As at 31 March 2013 - Unaudited

	unaudited	audited
	31.3.2013	31.12.2012
	RM	RM
Assets		
Property, plant and equipment	76,588,387	76,357,422
Investment properties	2,673,163	2,678,879
Prepaid lease payments	2,797,123	2,771,879
Investment in a jointly controlled entity	44,513	89,752
Deferred tax assets	295,033	486,346
Total non-current assets	<u>82,398,219</u>	<u>82,384,278</u>
Other investments, including derivatives	1,592,291	1,633,410
Inventories	6,686,349	5,911,089
Current tax assets	112,332	1,266,128
Trade, other receivables and prepayments	22,452,445	24,110,240
Cash and cash equivalents	31,319,075	25,613,812
Total current assets	<u>62,162,492</u>	<u>58,534,679</u>
Total assets	<u><u>144,560,711</u></u>	<u><u>140,918,957</u></u>
Equity		
Share capital	60,000,000	60,000,000
Reserves	62,356,417	58,808,400
Total equity attributable to owners of the company	<u>122,356,417</u>	<u>118,808,400</u>
Non-controlling interest	(18,184)	(11,938)
Total equity	<u><u>122,338,233</u></u>	<u><u>118,796,462</u></u>
Liabilities		
Loans and borrowings	2,827,522	3,065,773
Deferred tax liabilities	2,066,194	2,286,806
Total non-current liabilities	<u>4,893,716</u>	<u>5,352,579</u>
Loan and borrowings	936,435	925,133
Trade and other payables	16,392,327	15,650,417
Derivative Financial Instrument	-	194,366
Total current liabilities	<u>17,328,762</u>	<u>16,769,916</u>
Total liabilities	<u>22,222,478</u>	<u>22,122,495</u>
Total equity and liabilities	<u><u>144,560,711</u></u>	<u><u>140,918,957</u></u>
Net assets per share attributable to equity holders of the parent (RM)	<u>1.02</u>	<u>0.99</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Changes in Equity
For the Three Months Ended 31 March 2013 - 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 2012	60,000,000	1,097,766	47,101,995	108,199,761	1,660	108,201,421
Total other comprehensive income for the year						
-Foreign currency translation differences for foreign operations	-	(775,870)	-	(775,870)	-	(775,870)
Profit for the year	-	-	13,544,509	13,544,509	(13,598)	13,530,911
Total comprehensive income for the year	-	(775,870)	13,544,509	12,768,639	(13,598)	12,755,041
Dividends to owners of the Company	-	-	(2,160,000)	(2,160,000)	-	(2,160,000)
At 31 December 2012/1 January 2013	60,000,000	321,896	58,486,504	118,808,400	(11,938)	118,796,462
Total other comprehensive income for the period						
-Foreign currency translation differences for foreign operations	-	405,426	-	405,426	-	405,426
Profit for the period	-	-	3,142,591	3,142,591	(6,246)	3,136,345
Total comprehensive income for the period	-	405,426	3,142,591	3,548,017	(6,246)	3,541,771
At 31 March 2013	60,000,000	727,322	61,629,095	122,356,417	(18,184)	122,338,233

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Cash Flows
For the Three Months Ended 31 March 2013 - Unaudited

	3 months ended	
	31.3.2013	31.3.2012
	RM	RM
Cash flows from operating activities		
Profit before tax	4,133,239	2,700,100
Adjustments for:		
Depreciation and amortisation	1,519,666	1,683,628
Loss/(gain) on disposal of plant and equipment	6,617	(4,114)
Interest expense	48,491	58,738
Interest income	(55,120)	(91,943)
Share of loss of equity-accounted investee, net of tax	45,239	-
Unrealised foreign exchange differences	(60,634)	231,283
<i>Operating profit before working capital changes</i>	<u>5,637,498</u>	<u>4,577,692</u>
Changes in working capital:		
Inventories	(775,260)	(858,249)
Trade and other receivables	1,657,795	3,656,935
Trade and other payables	741,899	(249,930)
<i>Cash generated from operations</i>	<u>7,261,932</u>	<u>7,126,448</u>
Income tax paid	(17,354)	(365,685)
Net cash generated from operating activities	<u>7,244,578</u>	<u>6,760,763</u>
Cash flows from investing activities		
Interest received	55,120	91,943
Investment in unit trust	-	(6,255,673)
Proceeds from disposal of plant and equipment	31,215	4,500
Purchase of property, plant and equipment	(1,370,769)	(1,171,746)
Net cash used in investing activities	<u>(1,284,434)</u>	<u>(7,330,976)</u>
Cash flows from financing activities		
Interest paid	(48,491)	(58,738)
Repayment of borrowings	(226,950)	(216,703)
Net cash used in financing activities	<u>(275,441)</u>	<u>(275,441)</u>
Net increase/(decrease) in cash and cash equivalents	5,684,703	(845,654)
Effect of changes in foreign exchange rate	20,560	(71,540)
Cash and cash equivalents at beginning of period	<u>25,613,812</u>	<u>16,800,116</u>
Cash and cash equivalents at end of period	<u>31,319,075</u>	<u>15,882,922</u>

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

	As at	As at
	31.3.2013	31.3.2012
	RM	RM
Deposit placed with licensed bank	1,468,431	3,663,493
Cash and bank balances	29,850,644	12,219,429
	<u>31,319,075</u>	<u>15,882,922</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2013

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 2012. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2012.

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the audited financial statements for 31 December 2012 under the Malaysian Financial Reporting Standards (MFRS) framework. These policies do not differ significantly from those used in the audited financial statements for 31 December 2012 except as described below:

As of 1 January 2013, the Group has adopted the following new and revised MFRSs, amendments and IC interpretations (collectively referred to as "pronouncements") which are effective for annual periods beginning on or after 1 January 2013.

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefit (2011)
MFRS 127	Separate Financial Statements (2011)
MFRS 128	Investments in Associates and Joint Ventures (2011)
Amendment to MFRS 7	Financial Instruments : Disclosures - Offsetting Financial Assets and Financial Liabilities.
Amendment to MFRS 10	Consolidated Financial Statements : Transition Guidance
Amendment to MFRS 11	Joint Arrangements : Transition Guidance
Amendment to MFRS 12	Disclosure of Interests in Other Entities : Transition Guidance
Amendment to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 132	Financial Instruments : Presentation (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

The application of the above pronouncements did not have any material impact on the financial statements of the Group.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2013

2 Qualification of financial statements

The financial statements of the Company and its subsidiaries for the financial year ended 31 December 2012 were not qualified.

3 Seasonal or cyclical factors

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

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

An interim tax exempt dividend of 1.8 sen per ordinary share totalling RM2,160,000 in respect of the financial year ending 31 December 2013 has been declared on 10 May 2013. The dividend is payable on 12 June 2013.

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.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2013

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 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
	RM'000	RM'000	RM'000	RM'000
Malaysia	12,972	10,859	12,972	10,859
Rest of Asia	2,149	3,476	2,149	3,476
Europe	2,030	2,426	2,030	2,426
North America	8,180	6,007	8,180	6,007
Oceania	3,009	826	3,009	826
Consolidated	<u>28,340</u>	<u>23,594</u>	<u>28,340</u>	<u>23,594</u>

9 Valuation of property, plant and equipment

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

10 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.

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 Capital commitments

The capital commitments of the Group as at 31 March 2013 is as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>5,774</u>

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2013

13 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 2013 RM'000	As at 31 Dec 2012 RM'000
- Realised	90,521	88,713
- Unrealised	(5,614)	(8,639)
	<u>84,907</u>	<u>80,074</u>
Total share of post acquisition reserve of jointly controlled entity - realised	(55)	(10)
	<u>84,852</u>	<u>80,064</u>
Consolidation adjustments	(23,223)	(21,577)
Total Group retained profits as per consolidated accounts	<u>61,629</u>	<u>58,487</u>

14 Related party transactions

The Group's related party transactions in the current quarter and the cumulative period-to-date ended 31 March 2013 are as follows:

	Current Quarter Ended 31 Mar 2013 RM'000	Year-to-date Ended 31 Mar 2013 RM'000
Transactions with a company in which Gan Thiam Chai, a Director of the Company has interests:		
Hot & Roll Sdn Bhd		
-Sales	<u>340</u>	<u>340</u>
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	184	184
-Purchases	<u>242</u>	<u>242</u>

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2013

	Current Quarter Ended 31 Mar 2013 RM'000	Year-to-date Ended 31 Mar 2013 RM'000
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	1,811	1,811
Transactions with companies in which Nareshchandra Gordhandas Nagrecha and Jayendra Janardan Ved, Directors of the Company have interest. Shana Foods Limited -Sales	1,407	1,407
Rubicon Food Products Limited -Sales	502	502

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.

15 Review of performance

For the current quarter ended 31 March 2013, the Group recorded a higher revenue of RM28.3 million against RM23.6 million in the corresponding quarter ended 31 March 2012, an increase was due to higher sales registered from Malaysia, North America and Oceania region.

Profit after taxation for the Group increased by 50.8% or RM1.06 million compared to the corresponding quarter ended 31 March 2012, mainly led by strong consumer demand for the Group products in the current quarter.

16 Variance of quarterly results compared to preceding quarter

The Group recorded a higher turnover of RM28.3 million for the current quarter under review compared to the immediate preceding quarter of RM27.9 million.

The profit before tax decreased to RM4.1 million for the current quarter from RM5.5 million registered in the immediate preceding quarter. The decrease were due to higher advertisement and promotion expenses and higher exchange losses in the current quarter compared to the immediate preceding quarter.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2013

17 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.

18 Variance of actual and profit forecast

Not applicable as the Group did not issue any profit forecast for the current financial year.

19 Profit before tax

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

	3 months ended 31 Mar 2013 RM'000	3 months ended 31 Mar 2012 RM'000	Year-to-date ended 31 Mar 2013 RM'000	Year-to-date ended 31 Mar 2012 RM'000
Interest income	(55)	(92)	(55)	(92)
Other income	(100)	(130)	(100)	(130)
Interest expense	48	59	48	59
Depreciation and amortisation	1,520	1,684	1,520	1,684
Foreign exchange gain	190	323	190	323
Loss/(gain) on disposal of property, plant and equipment	7	(4)	7	(4)
Provision for and write-off of receivables	(4)	-	(4)	-

20 Taxation

	Current Quarter Ended 31 Mar 2013 RM'000	Year-to-date Ended 31 Mar 2013 RM'000
Tax expense		
-Current year	1,019	1,019
Deferred tax expense		
-origination and reversal of temporary differences	(67)	(67)
Total	<u>952</u>	<u>952</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.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2013

21 Corporate Proposals

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

22 Borrowings (secured)

	As at 31 Mar 2013 RM'000	As at 31 Mar 2012 RM'000
Short term borrowings:		
Term loans	936	911
Long term borrowings:		
Term loans	2,828	3,744

The borrowings are denominated in Malaysia Ringgit

23 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.

On 12 April 2013, the Court of Appeal has dismissed KFM's appeal. The total judgement sum with interest of RM503,981 has been paid on 22 May 2013.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2013

24 Dividend

The Board declared an interim tax exempt dividend of 1.8 sen per ordinary share in respect of the financial year ending 31 December 2013 (2012: 2.4 sen tax dividend). The dividend is payable on 12 June 2013.

25 Earning per share ("EPS")

	3 months ended 31 Mar 2013	3 months ended 31 Mar 2012	Year-to-date ended 31 Mar 2013	Year-to-date ended 31 Mar 2012
Profit attributable to equity holders of the parent (RM'000)	3,143	2,103	3,143	2,103
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>2.62</u>	<u>1.75</u>	<u>2.62</u>	<u>1.75</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 2013