

*Condensed Consolidated Statement of Comprehensive Income*  
*For the Nine Months Ended 30 September 2013 - Unaudited*

	3 months ended		9 months ended	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	RM	RM	RM	RM
<b>Revenue</b>	33,677,146	29,319,272	94,398,809	82,321,778
Cost of sales	(20,517,418)	(17,245,443)	(56,799,114)	(48,169,772)
<b>Gross profit</b>	13,159,728	12,073,829	37,599,695	34,152,006
Other income	169,823	143,646	473,458	639,009
Selling & distribution expenses	(6,061,843)	(5,665,998)	(16,130,642)	(14,487,667)
Administrative expenses	(1,510,871)	(2,901,642)	(6,182,944)	(8,553,655)
Finance costs	(118,529)	(125,434)	(339,307)	(365,684)
Share of loss of equity-accounted investees, net of tax	(17,660)	-	(74,966)	-
<b>Profit before tax</b>	5,620,648	3,524,401	15,345,294	11,384,009
Income tax expense	(1,347,854)	(801,414)	(3,631,948)	(2,660,089)
<b>Profit for the period</b>	4,272,794	2,722,987	11,713,346	8,723,920
<b>Other comprehensive profit, net of tax</b>				
Exchange differences on translation of foreign operations	1,101,880	(1,033,773)	2,503,899	(944,851)
<b>Other comprehensive profit, net of tax</b>	1,101,880	(1,033,773)	2,503,899	(944,851)
<b>Total comprehensive income for the period</b>	5,374,674	1,689,214	14,217,245	7,779,069
<b>Profit attributable to:</b>				
Owners of the company	4,278,325	2,739,344	11,699,848	8,746,053
Non-controlling interest	(5,531)	(16,357)	13,498	(22,133)
<b>Profit for the period</b>	4,272,794	2,722,987	11,713,346	8,723,920
<b>Total comprehensive income attributable to:</b>				
Owners of the company	5,380,205	1,705,571	14,203,747	7,801,202
Non-controlling interest	(5,531)	(16,357)	13,498	(22,133)
<b>Total comprehensive income for the period</b>	5,374,674	1,689,214	14,217,245	7,779,069
<b>Earning per share</b>				
Basic earnings per ordinary share (sen)	3.57	2.28	9.75	7.29

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 30 September 2013 - Unaudited*

	<b>unaudited</b>	<b>audited</b>
	<b>30.9.2013</b>	<b>31.12.2012</b>
	<b>RM</b>	<b>RM</b>
<b>Assets</b>		
Property, plant and equipment	77,705,890	76,357,422
Investment properties	2,680,182	2,678,879
Prepaid lease payments	2,956,125	2,771,879
Investment in a jointly controlled entity	14,786	89,752
Deferred tax assets	343,903	486,346
<b>Total non-current assets</b>	<u>83,700,886</u>	<u>82,384,278</u>
Other investments, including derivatives	3,025,658	1,633,410
Inventories	7,481,544	5,911,089
Current tax assets	-	1,266,128
Trade, other receivables and prepayments	26,998,111	24,110,240
Cash and cash equivalents	32,452,905	25,613,812
<b>Total current assets</b>	<u>69,958,218</u>	<u>58,534,679</u>
<b>Total assets</b>	<u><u>153,659,104</u></u>	<u><u>140,918,957</u></u>
<b>Equity</b>		
Share capital	60,000,000	60,000,000
Reserves	70,852,147	58,808,400
<b>Total equity attributable to owners of the company</b>	<u>130,852,147</u>	<u>118,808,400</u>
<b>Non-controlling interest</b>	1,560	(11,938)
<b>Total equity</b>	<u>130,853,707</u>	<u>118,796,462</u>
<b>Liabilities</b>		
Loans and borrowings	2,341,611	3,065,773
Deferred tax liabilities	1,734,092	2,286,806
<b>Total non-current liabilities</b>	<u>4,075,703</u>	<u>5,352,579</u>
Loan and borrowings	959,937	925,133
Trade and other payables	16,478,821	15,650,417
Current tax liabilities	1,290,936	194,366
<b>Total current liabilities</b>	<u>18,729,694</u>	<u>16,769,916</u>
<b>Total liabilities</b>	<u>22,805,397</u>	<u>22,122,495</u>
<b>Total equity and liabilities</b>	<u><u>153,659,104</u></u>	<u><u>140,918,957</u></u>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	<u>1.09</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.

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

*Condensed Consolidated Statement of Changes in Equity*  
*For the Nine Months Ended 30 September 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
<b>At 1 January 2012</b>	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)
<b>At 31 December 2012/1 January 2013</b>	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	-	2,503,899	-	2,503,899	-	2,503,899
Profit for the period	-	-	11,699,848	11,699,848	13,498	11,713,346
Total comprehensive income for the period	-	2,503,899	11,699,848	14,203,747	13,498	14,217,245
Dividends to owners of the Company	-	-	(2,160,000)	(2,160,000)	-	(2,160,000)
<b>At 30 September 2013</b>	60,000,000	2,825,795	68,026,352	130,852,147	1,560	130,853,707

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 Nine Months Ended 30 September 2013 - Unaudited*

	<b>9 months ended</b>	
	<b>30.9.2013</b>	<b>30.9.2012</b>
	<b>RM</b>	<b>RM</b>
<b>Cash flows from operating activities</b>		
Profit before tax	15,420,260	11,384,009
Adjustments for:		
Depreciation and amortisation	4,589,715	5,109,304
(Gain)/loss on disposal of plant and equipment	(97,377)	5,236
Interest expense	136,953	169,475
Interest income	(181,542)	(297,493)
Share of loss of equity-accounted investee, net of tax	74,966	-
Unrealised foreign exchange differences	(342,593)	209,525
<i>Operating profit before working capital changes</i>	<u>19,600,382</u>	<u>16,580,056</u>
Changes in working capital:		
Inventories	(1,570,455)	(1,469,023)
Trade and other receivables	(2,887,872)	2,026,331
Trade and other payables	828,404	4,479,513
<i>Cash generated from operations</i>	<u>15,970,459</u>	<u>21,616,877</u>
Income tax paid	(2,607,023)	(1,068,269)
Income tax refund	933,022	-
<b>Net cash generated from operating activities</b>	<u>14,296,458</u>	<u>20,548,608</u>
<b>Cash flows from investing activities</b>		
Interest received	181,542	297,493
Investment in unit trust	(1,700,000)	3,639,612
Proceeds from disposal of plant and equipment	191,831	7,000
Purchase of property, plant and equipment	(3,775,658)	(14,117,459)
<b>Net cash used in investing activities</b>	<u>(5,102,285)</u>	<u>(10,173,354)</u>
<b>Cash flows from financing activities</b>		
Dividend paid	(2,160,000)	(2,160,000)
Interest paid	(136,953)	(169,475)
Repayment of borrowings	(689,369)	(656,847)
<b>Net cash used in financing activities</b>	<u>(2,986,322)</u>	<u>(2,986,322)</u>
<b>Net increase in cash and cash equivalents</b>	6,207,851	7,388,932
<b>Effect of changes in foreign exchange rate</b>	631,242	(139,314)
<b>Cash and cash equivalents at beginning of period</b>	<u>25,613,812</u>	<u>16,800,116</u>
<b>Cash and cash equivalents at end of period</b>	<u>32,452,905</u>	<u>24,049,734</u>

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

	<b>As at</b>	<b>As at</b>
	<b>30.9.2013</b>	<b>30.9.2012</b>
	<b>RM</b>	<b>RM</b>
Deposit placed with licensed bank	3,892,336	1,604,309
Cash and bank balances	28,560,569	22,445,425
	<u>32,452,905</u>	<u>24,049,734</u>

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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 paid 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 30 SEPTEMBER 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	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
Malaysia	16,226	14,616	42,046	36,497
Rest of Asia	3,686	3,790	13,113	11,590
Europe	1,918	1,895	8,327	8,530
North America	9,922	6,761	25,215	21,142
Oceania	1,836	2,257	5,371	4,563
Africa	89	-	327	-
Consolidated	<u>33,677</u>	<u>29,319</u>	<u>94,399</u>	<u>82,322</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 30 September 2013 is as follows:

	RM'000
<b>Property, plant and equipment</b>	
Contracted but not provided for	<u>5,847</u>

**KAWAN FOOD BERHAD (640445-V)**  
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 30 Sep 2013 RM'000	As at 31 Dec 2012 RM'000
- Realised	97,209	88,713
- Unrealised	(1,378)	(8,639)
	<u>95,831</u>	<u>80,074</u>
Total share of post acquisition reserve of jointly controlled entity - realised	(85)	(10)
	<u>95,746</u>	<u>80,064</u>
Consolidation adjustments	(27,720)	(21,577)
Total Group retained profits as per consolidated accounts	<u>68,026</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 30 September 2013 are as follows:

	Current Quarter Ended 30 Sep 2013 RM'000	Year-to-date Ended 30 Sep 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>248</u>	<u>851</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	231	674
-Purchases	<u>308</u>	<u>845</u>



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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

	Current Quarter Ended 30 Sep 2013 RM'000	Year-to-date Ended 30 Sep 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	2,672	7,163
Transactions with companies in which Nareshchandra Gordhandas Nagrecha and Jayendra Janardan Ved, Directors of the Company have interest. Shana Foods Limited -Sales	1,136	5,762
Rubicon Food Products Limited -Sales	976	2,684

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 30 September 2013, the Group recorded a higher revenue of RM33.7 million against RM29.3 million in the corresponding quarter ended 30 September 2012, an increase was due to higher sales registered from Malaysia and North America region.

On a year-to-date basis, the Group recorded revenue of RM94.4 million, an increase of 14.7% compared to last year RM82.3 million. The increase was due to higher sales registered from all regions except Europe region.

Profit after taxation for the Group increased by 57% or RM1.6 million compared to the corresponding quarter ended 30 September 2012, mainly led by higher sales registered and favourable RM/USD exchange rate in the current quarter.

On a year-to-date basis, the Group recorded profit after tax of RM11.7 million compared to RM8.7 million in the previous year. The increase of 34% or RM3 million were mainly due to strong consumer demand for the Group products and favourable RM/USD exchange rate in the current year.

**KAWAN FOOD BERHAD (640445-V)**  
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

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

The Group recorded a higher turnover of RM33.7 million for the current quarter under review compared to the immediate preceding quarter of RM32.4 million.

The profit before tax drop slightly by RM11,000 compared to the immediate preceding quarter. The advertisement and promotion cost had increased as a result of the festive season promotion, but the impact was offset by the favourable RM/USD exchange rate in the current quarter.

**17 Commentary on the prospect**

The outlook for the global economy is uncertain due to the 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 30 Sep 2013 RM'000	3 months ended 30 Sep 2012 RM'000	Year-to-date ended 30 Sep 2013 RM'000	Year-to-date ended 30 Sep 2012 RM'000
Interest income	(74)	(75)	(182)	(297)
Other income	(95)	(69)	(291)	(342)
Interest expense	43	54	137	169
Depreciation and amortisation	1,539	1,717	4,590	5,109
Foreign exchange (gain)/loss	(778)	573	(1,580)	51
Loss/(gain) on disposal of property, plant and equipment	-	9	(97)	5
Provision for and write-off of receivables	4	(108)	-	39

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

**20 Taxation**

	Current Quarter Ended 30 Sep 2013 RM'000	Year-to-date Ended 30 Sep 2013 RM'000
Tax expense		
-Current year	1,711	4,042
Deferred tax expense		
-origination and reversal of temporary differences	(363)	(410)
Total	<u>1,348</u>	<u>3,632</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.

**21 Corporate Proposals**

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

**22 Borrowings (secured)**

	As at 30 Sep 2013 RM'000	As at 30 Sep 2012 RM'000
Short term borrowings:		
Term loans	<u>960</u>	<u>914</u>
Long term borrowings:		
Term loans	<u>2,342</u>	<u>3,301</u>

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.

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

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.

**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 has been paid on 12 June 2013.

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

	3 months ended 30 Sep 2013	3 months ended 30 Sep 2012	Year-to-date ended 30 Sep 2013	Year-to-date ended 30 Sep 2012
Profit attributable to equity holders of the parent (RM'000)	4,278	2,739	11,700	8,746
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>3.57</u>	<u>2.28</u>	<u>9.75</u>	<u>7.29</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: 25 November 2013