

*Condensed Consolidated Statement of Comprehensive Income*  
*For the Twelve Months Ended 31 December 2013 - Unaudited*

	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM	RM	RM	RM
<b>Revenue</b>	32,027,563	27,904,816	126,426,372	110,226,594
Cost of sales	(18,340,275)	(16,522,123)	(75,139,389)	(64,691,895)
<b>Gross profit</b>	13,687,288	11,382,693	51,286,983	45,534,699
Other income	197,320	166,559	670,778	805,568
Selling & distribution expenses	(6,479,022)	(3,946,057)	(22,609,664)	(18,433,724)
Administrative expenses	(1,895,431)	(1,986,764)	(8,078,375)	(10,540,419)
Finance costs	(98,598)	(108,996)	(437,905)	(474,680)
Share of loss of equity-accounted investees, net of tax	(111,572)	(10,248)	(186,538)	(10,248)
<b>Profit before tax</b>	5,299,985	5,497,187	20,645,279	16,881,196
Income tax expense	(851,957)	(690,196)	(4,483,905)	(3,350,285)
<b>Profit for the period</b>	4,448,028	4,806,991	16,161,374	13,530,911
<b>Other comprehensive profit, net of tax</b>				
Exchange differences on translation of foreign operations	510,584	168,981	3,014,483	(775,870)
<b>Other comprehensive profit, net of tax</b>	510,584	168,981	3,014,483	(775,870)
<b>Total comprehensive income for the period</b>	4,958,612	4,975,972	19,175,857	12,755,041
<b>Profit attributable to:</b>				
Owners of the company	4,475,788	4,798,456	16,175,636	13,544,509
Non-controlling interest	(27,760)	8,535	(14,262)	(13,598)
<b>Profit for the period</b>	4,448,028	4,806,991	16,161,374	13,530,911
<b>Total comprehensive income attributable to:</b>				
Owners of the company	4,986,372	4,967,437	19,190,119	12,768,639
Non-controlling interest	(27,760)	8,535	(14,262)	(13,598)
<b>Total comprehensive income for the period</b>	4,958,612	4,975,972	19,175,857	12,755,041
<b>Earning per share</b>				
Basic earnings per ordinary share (sen)	3.73	4.00	13.48	11.29

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 31 December 2013 - Unaudited*

	<b>unaudited</b>	<b>audited</b>
	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>RM</b>	<b>RM</b>
<b>Assets</b>		
Property, plant and equipment	78,104,005	76,357,422
Investment properties	2,675,393	2,678,879
Prepaid lease payments	2,986,503	2,771,879
Investment in a jointly controlled entity	-	89,752
Deferred tax assets	408,941	486,346
<b>Total non-current assets</b>	<u>84,174,842</u>	<u>82,384,278</u>
Other investments, including derivatives	5,354,783	1,633,410
Inventories	8,545,097	5,911,089
Current tax assets	-	1,266,128
Trade, other receivables and prepayments	24,151,985	24,110,240
Cash and cash equivalents	36,146,284	25,613,812
<b>Total current assets</b>	<u>74,198,149</u>	<u>58,534,679</u>
<b>Total assets</b>	<u><u>158,372,991</u></u>	<u><u>140,918,957</u></u>
<b>Equity</b>		
Share capital	60,000,000	60,000,000
Reserves	75,838,519	58,808,400
<b>Total equity attributable to owners of the company</b>	<u>135,838,519</u>	<u>118,808,400</u>
<b>Non-controlling interest</b>	(26,200)	(11,938)
<b>Total equity</b>	<u>135,812,319</u>	<u>118,796,462</u>
<b>Liabilities</b>		
Loans and borrowings	2,094,041	3,065,773
Deferred tax liabilities	1,865,119	2,286,806
<b>Total non-current liabilities</b>	<u>3,959,160</u>	<u>5,352,579</u>
Loan and borrowings	971,968	925,133
Trade and other payables	16,688,434	15,650,417
Current tax liabilities	941,110	194,366
<b>Total current liabilities</b>	<u>18,601,512</u>	<u>16,769,916</u>
<b>Total liabilities</b>	<u>22,560,672</u>	<u>22,122,495</u>
<b>Total equity and liabilities</b>	<u><u>158,372,991</u></u>	<u><u>140,918,957</u></u>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	<u>1.13</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 Twelve Months Ended 31 December 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	-	3,014,483	-	3,014,483	-	3,014,483
Profit for the period	-	-	16,175,636	16,175,636	(14,262)	16,161,374
Total comprehensive income for the period	-	3,014,483	16,175,636	19,190,119	(14,262)	19,175,857
Dividends to owners of the Company	-	-	(2,160,000)	(2,160,000)	-	(2,160,000)
<b>At 31 December 2013</b>	60,000,000	3,336,379	72,502,140	135,838,519	(26,200)	135,812,319

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 Twelve Months Ended 31 December 2013 - Unaudited*

	<b>12 months ended</b>	
	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>RM</b>	<b>RM</b>
<b>Cash flows from operating activities</b>		
Profit before tax	20,831,817	16,881,196
Adjustments for:		
Depreciation and amortisation	6,140,442	6,371,831
Gain on disposal of plant and equipment	(111,469)	(15,524)
Interest expense	176,865	220,752
Interest income	(272,415)	(339,485)
Share of loss of equity-accounted investee, net of tax	186,538	10,248
Unrealised foreign exchange differences	52,800	(129,361)
<i>Operating profit before working capital changes</i>	<u>27,004,578</u>	<u>22,999,657</u>
Changes in working capital:		
Inventories	(2,634,008)	555,463
Trade and other receivables	(41,745)	551,270
Trade and other payables	1,038,005	1,924,770
<i>Cash generated from operations</i>	<u>25,366,830</u>	<u>26,031,160</u>
Income tax paid	(4,547,091)	(2,976,629)
Income tax refund	1,738,880	-
<b>Net cash generated from operating activities</b>	<u>22,558,619</u>	<u>23,054,531</u>
<b>Cash flows from investing activities</b>		
Interest received	272,415	339,485
Investment in jointly controlled entity	-	(100,000)
Investment in unit trust	(3,700,000)	3,627,077
Proceeds from disposal of plant and equipment	241,464	147,000
Purchase of property, plant and equipment	(5,292,357)	(15,102,936)
<b>Net cash used in investing activities</b>	<u>(8,478,478)</u>	<u>(11,089,374)</u>
<b>Cash flows from financing activities</b>		
Dividend paid	(2,160,000)	(2,160,000)
Interest paid	(176,865)	(220,752)
Repayment of borrowings	(924,897)	(881,010)
<b>Net cash used in financing activities</b>	<u>(3,261,762)</u>	<u>(3,261,762)</u>
<b>Net increase in cash and cash equivalents</b>	10,818,379	8,703,395
<b>Effect of changes in foreign exchange rate</b>	(285,907)	110,301
<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>36,146,284</u>	<u>25,613,812</u>

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

	<b>As at</b>	<b>As at</b>
	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>RM</b>	<b>RM</b>
Deposit placed with licensed bank	5,766,623	2,411,562
Cash and bank balances	30,379,661	23,202,250
	<u>36,146,284</u>	<u>25,613,812</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 DECEMBER 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 31 DECEMBER 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 ended 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 31 DECEMBER 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 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Malaysia	15,317	13,466	57,363	49,963
Rest of Asia	5,609	3,339	18,722	14,929
Europe	2,047	1,216	10,374	9,746
North America	7,557	8,727	32,772	29,869
Oceania	1,497	1,157	6,868	5,720
Africa	-	-	327	-
Consolidated	<u>32,027</u>	<u>27,905</u>	<u>126,426</u>	<u>110,227</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 December 2013 is as follows:

	RM'000
<b>Property, plant and equipment</b>	
Contracted but not provided for	<u>5,781</u>

**KAWAN FOOD BERHAD (640445-V)**  
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 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 Dec 2013 RM'000	As at 31 Dec 2012 RM'000
- Realised	97,352	88,713
- Unrealised	(1,534)	(8,639)
	<u>95,818</u>	<u>80,074</u>
Total share of post acquisition reserve of jointly controlled entity - realised	(187)	(10)
	<u>95,631</u>	<u>80,064</u>
Consolidation adjustments	(23,129)	(21,577)
Total Group retained profits as per consolidated accounts	<u>72,502</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 December 2013 are as follows:

	Current Quarter Ended 31 Dec 2013 RM'000	Year-to-date Ended 31 Dec 2013 RM'000
Transactions with a company in which Gan Thiam Chai, a Director of the Company has interests:		
Hot & Roll Sdn Bhd		
-Sales	233	1,084
	<u>233</u>	<u>1,084</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	237	911
-Purchases	406	1,251
	<u>406</u>	<u>1,251</u>



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

	Current Quarter Ended 31 Dec 2013 RM'000	Year-to-date Ended 31 Dec 2013 RM'000
Transaction with a company in which the daughters of Gan Thiam Chai and Kwan Sok Kay, the son of Gan Thiam Hock and the spouse of Timothy Tan Heng Han, Directors of the Company have interests:		
Food Valley Sdn Bhd		
-Purchases	2,088	9,251
	<u>2,088</u>	<u>9,251</u>
Transactions with companies in which Nareshchandra Gordhandas Nagrecha and Jayendra Janardan Ved, Directors of the Company have interest.		
Shana Foods Limited		
-Sales	992	6,754
	<u>992</u>	<u>6,754</u>
Rubicon Food Products Limited		
-Sales	214	2,898
	<u>214</u>	<u>2,898</u>

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 December 2013, the Group recorded a higher revenue of RM32 million against RM27.9 million in the corresponding quarter ended 31 December 2012, an increase was due to higher sales registered from all regions except North America.

On a year-to-date basis, the Group recorded revenue of RM126.4 million, an increase of 14.7% compared to last year RM110.2 million. The increase was due to strong consumer demand for the Group products and favourable RM/USD exchange rate in the current year.

Profit after taxation for the Group decreased by 7.5% or RM0.4 million compared to the corresponding quarter ended 31 December 2012, mainly led by the higher advertisement and promotion expenses in the current quarter.

On a year-to-date basis, the Group recorded profit after tax of RM16.1 million compared to RM13.5 million in the previous year. The increase of 19% or RM2.6 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 31 DECEMBER 2013**

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

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

The profit before tax drop by RM0.32 million compared to the immediate preceding quarter of RM5.6 million. The decrease were due to higher advertisement and promotion expenses and unfavorable RM/USD exchange rate in the current quarter compared to the immediate preceding 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 31 Dec 2013 RM'000	3 months ended 31 Dec 2012 RM'000	Year-to-date ended 31 Dec 2013 RM'000	Year-to-date ended 31 Dec 2012 RM'000
Interest income	(90)	(42)	(272)	(339)
Other income	(108)	(125)	(399)	(467)
Interest expense	40	52	177	221
Depreciation and amortisation	1,550	1,263	6,140	6,372
Foreign exchange gain	(355)	(103)	(1,935)	(52)
Gain on disposal of property, plant and equipment	(14)	(21)	(111)	(16)
Provision for and write-off of receivables	-	46	3	85

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

**20 Taxation**

	Current Quarter Ended 31 Dec 2013 RM'000	Year-to-date Ended 31 Dec 2013 RM'000
Tax expense		
-Current year	786	4,828
Deferred tax expense		
-origination and reversal of temporary differences	66	(344)
Total	<u>852</u>	<u>4,484</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 31 Dec 2013 RM'000	As at 31 Dec 2012 RM'000
Short term borrowings:		
Term loans	<u>972</u>	<u>925</u>
Long term borrowings:		
Term loans	<u>2,094</u>	<u>3,066</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.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 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 ended 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 31 Dec 2013	3 months ended 31 Dec 2012	Year-to-date ended 31 Dec 2013	Year-to-date ended 31 Dec 2012
Profit attributable to equity holders of the parent (RM'000)	4,476	4,798	16,176	13,545
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)	3.73	4.00	13.48	11.29

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: 27 February 2014