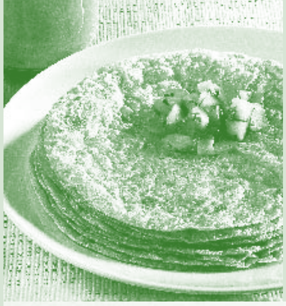
KaWan
KAWAN FOOD BERHAD

Great Food Never Lies

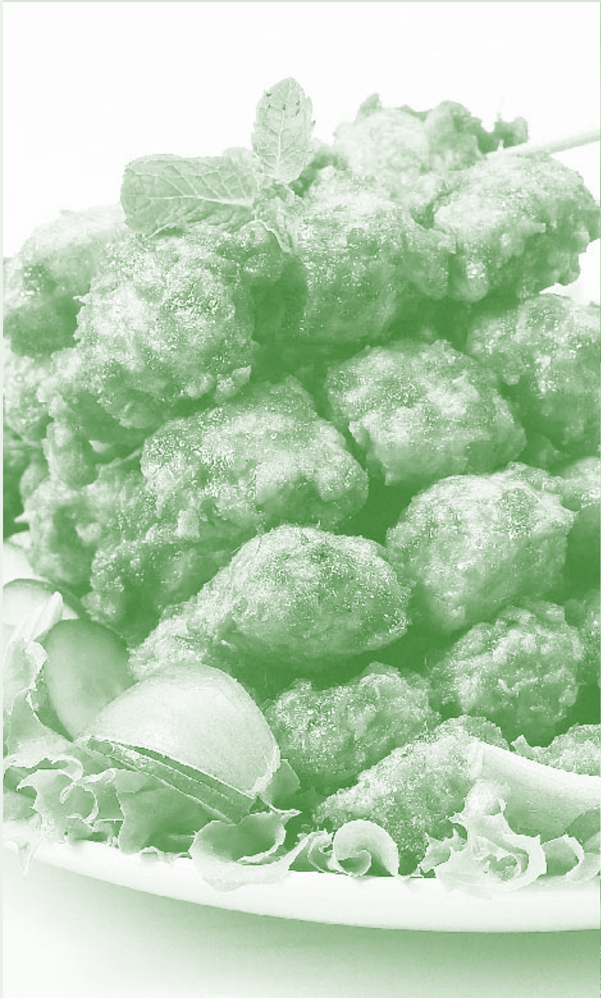
09

ANNUAL REPORT

KAWAN FOOD BERHAD
640455-V (Incorporated in Malaysia)



Holding on to the principle of **'Great Food Never Lies'**, Kawan Food Berhad truly believes that consumers worldwide these days know how to identify and appreciate great foods. And that is why Kawan Food is determined to produce only high-quality, hygienic, affordable and convenient foods to its valued customers. Aptly represented using the well-known icon of Pinocchio whose wooden nose grows long when he speaks of a lie, the cover of this annual report depicts Kawan Food Berhad's honest commitment of only providing the best of products… in the past, at the moment and in the future.



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Kawan
CHAPATTI

CORPORATE INFORMATION

DIRECTORS

GAN THIAM CHAI
Executive Chairman

KWAN SOK KAY
Non-Independent Executive Director

GAN THIAM HOCK
Non-Independent Executive Director

LIM PENG @ LIM PANG TUN
Independent Non-Executive Director

CHEN SENG CHONG
Senior Independent Non-Executive Director

SOO YOKE MUN
Independent Non-Executive Director

JAYENDRA JANARDAN VED
Non-Independent Non-Executive Director

NARESHCHANDRA GORDHANDAS NAGRECHA
Non-Independent Non-Executive Director

AUDIT COMMITTEE

LIM PENG @ LIM PANG TUN
Chairman of the Committee

CHEN SENG CHONG
Member of the Committee

SOO YOKE MUN
Member of the Committee

REMUNERATION COMMITTEE

GAN THIAM HOCK
Chairman of the Committee

LIM PENG @ LIM PANG TUN
Member of the Committee

CHEN SENG CHONG
Member of the Committee

NOMINATION COMMITTEE

CHEN SENG CHONG
Chairman of the Committee

LIM PENG @ LIM PANG TUN
Member of the Committee

REGISTERED OFFICE

C/O STRATEGY CORPORATE SECRETARIAT SDN BHD
Unit 07-02, Level 7, Menara Luxor
6B Persiaran Tropicana, 47410 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel : +603-7804 5929
Fax : +603-7805 2559

REGISTRAR

SYMPHONY SHARE REGISTRARS SDN BHD
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel : +603-7841 8000
Fax : +603-7841 8008

SECRETARY

NG YIM KONG (LS0009297)

AUDITORS

KPMG
Level 10, KPMG Tower
8, First Avenue
Bandar Utama, 47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel : +603-7721 3388
Fax : +603-7721 3399

PRINCIPAL BANKERS

RHB BANK BERHAD (Company No. 6171-M)

UNITED OVERSEAS BANK (M) BHD (Company No. 271809-K)

MALAYAN BANKING BERHAD (Company No. 3813-K)

HSBC BANK (M) BERHAD (Company No. 127776-V)

STOCK EXCHANGE LISTING

MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

Stock Short Name : KAWAN
Stock Code : 7216

WEBSITE

www.kawanfood.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of KAWAN FOOD BERHAD (Company No.: 640445-V) will be held at Garuda 1 & 2, Golf Club, Holiday Inn Kuala Lumpur Glenmarie, 1, Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Tuesday, 15 June 2010 at 2.00 p.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the year ended 31 December 2009 together with the Directors' and Auditors' Reports thereon.

2. To approve the payment of Directors' fees for the year ended 31 December 2009. **Resolution 1**

3. To re-elect the following Directors who are retiring in accordance with Article 80 of the Company's Articles of Association:-

   3.1 Mr. Lim Peng @ Lim Pang Tun **Resolution 2**
   3.2 Mr. Gan Thiam Hock **Resolution 3**

4. To re-elect the following Directors who are retiring in accordance with Article 85 of the Company's Articles of Association:-

   4.1 Mr. Nareshchandra Gordhandas Nagrecha **Resolution 4**
   4.2 Mr. Jayendra Janardan Ved **Resolution 5**

5. To re-appoint Messrs KPMG as the Company's Auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS:-

To consider and, if thought fit, pass with or without modifications, the following Resolutions:-

Ordinary Resolution

6. **Authority to Directors to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965.** **Resolution 7**

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities."

Ordinary Resolution

7. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")** **Resolution 8**

   "THAT the Company and/or its subsidiaries be and are hereby authorised to enter into Recurrent Related Party Transactions of a revenue or trading nature as specified in Section 2.2 of the Circular to Shareholders dated 24 May 2010, provided that such arrangements and/or transactions which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms and on prices and terms which are not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders of the Company.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Shareholders' Mandate.

AND THAT such authority shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which such Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier."

Special Resolution

8. **Proposed Amendment to the Articles of Association of the Company** **Resolution 9**

"THAT the existing Article 128 in the Articles of Association of the Company be deleted in its entirety and the following be substituted in lieu thereof:

New Article 128 – Dividend payable

Any dividend or other money payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or, if several persons are entitled in consequence of the death or bankruptcy of the holder, to any one of such persons or to such persons and such address as such persons may by writing direct or by directly crediting the dividend entitlement into the member's bank account as provided to the Central Depository from time to time. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or such person as the holder may direct and payment of the cheque or the direct crediting to the member's bank account shall be a good discharge to the Company. Every such cheque or warrant shall be sent or directly credited at the risk of the person entitled to the money represented thereby. Where the members have provided to the Central Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash dividends into the member's bank accounts."

ANY OTHER BUSINESS:-

9. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965. **Resolution 10**

BY ORDER OF THE BOARD

NG YIM KONG (LS0009297)
Company Secretary

24 May 2010
Selangor Darul Ehsan

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

Notes:-

1. *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.*

2. *Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*

3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.*

4. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office at Strategy Corporate Secretariat Sdn Bhd, Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

5. ***Explanatory Notes on Special Business of the Agenda***

   Resolution pursuant to the Authority for Directors to Allot and Issue Shares

   The Proposed Ordinary Resolution 7 under item 6 above, if passed, will empower the Directors of the Company from the date of the above Annual General Meeting, authority to allot and issue shares in the Company up to an aggregate amount of not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the best interest of the Company and also to empower Directors to obtain approval from Bursa Malaysia Securities Berhad for the listing of and quotation for additional shares issued. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

   The general mandate sought to grant authority to Directors to allot and issue of shares is a renewal of the mandate that was approved by the shareholders at the Fifth Annual General Meeting held on 17 June 2009. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

   Up to the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Fifth Annual General Meeting because there were no investment(s), acquisition(s) or working capital that required fund raising activity.

   Resolution pursuant to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions

   The Proposed Ordinary Resolution 8 under item 7 above, if passed, will enable the Company and its subsidiaries ("the Group") to enter into the specified Recurrent Related Party Transactions as set out in Section 2.2 of the Circular to Shareholders dated 24 May 2010 with the specified classes of the Related Parties mentioned therein which are necessary for the Group's day-to-day operations. For further information on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, please refer to the Circular to Shareholders dated 24 May 2010 enclosed together with the Company's 2009 Annual Report.

   Special Resolution pursuant to the Proposed Amendment to the Articles of Association

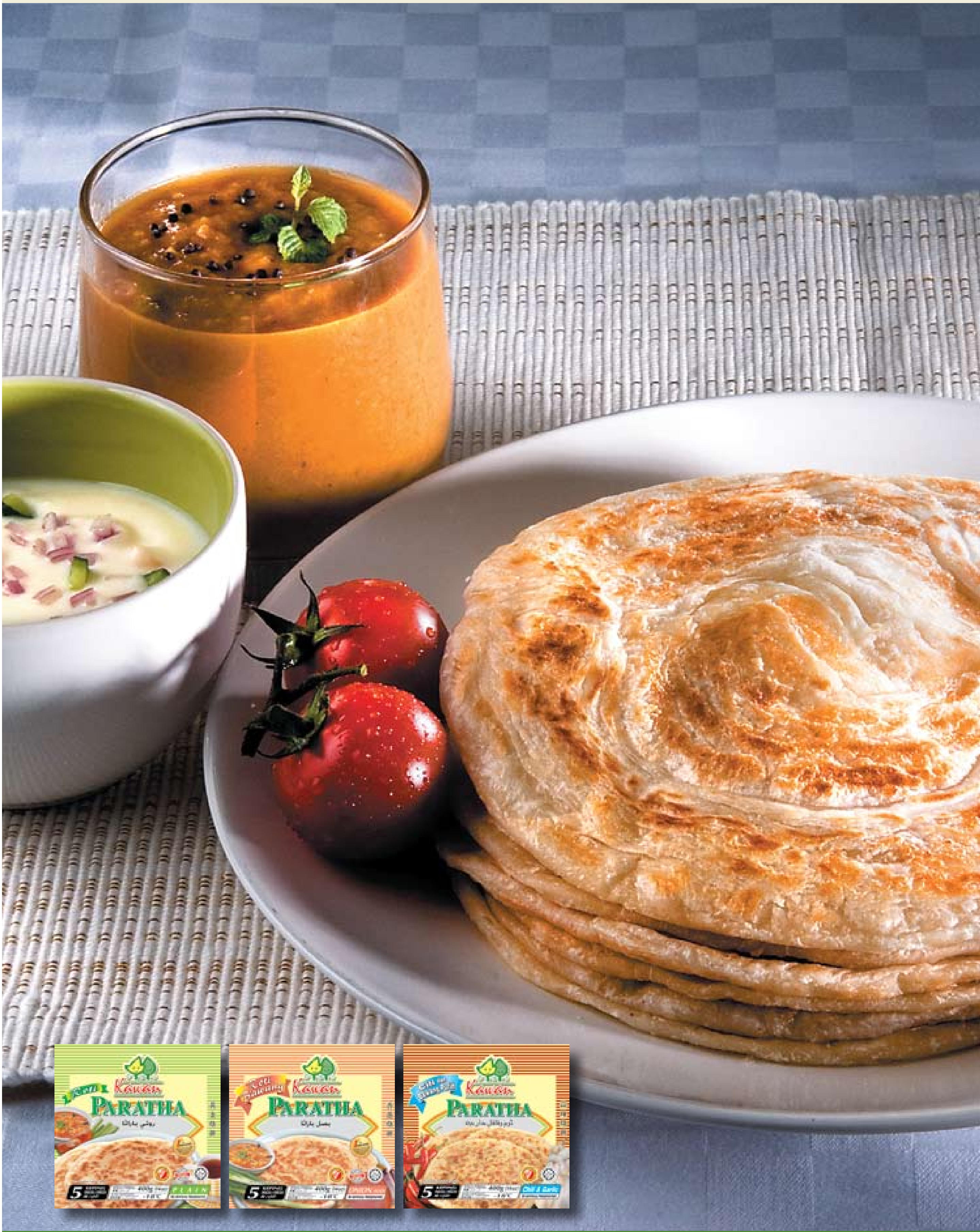
   The Proposed Special Resolution will render the Company's Articles of Association to be in line with the Main Market Listing Requirements and to enable the Company to implement the Electronic Dividend payment ("eDividend").

STATEMENT ACCOMPANYING NOTICE OF SIXTH ANNUAL GENERAL MEETING

Details of the Directors who are standing for election or re-election at the Sixth Annual General Meeting of Kawan Food Berhad are laid out in pages 9 to 11 of this Annual Report.

(i) Mr. Lim Peng @ Lim Pang Tun
(ii) Mr. Gan Thiam Hock
(iii) Mr. Nareshchandra Gordhandas Nagrecha
(iv) Mr. Jayendra Janardan Ved

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DIRECTORS' PROFILE

GAN THIAM CHAI
Executive Chairman

Gan Thiam Chai, aged 56, a Malaysian, was re-designated as the Executive Chairman on 1 March 2010. He was formerly the Managing Director of KFB and was appointed to the Board of KFB on 1 June 2005.

Mr. T.C. Gan has accumulated more than 30 years of experience in the food processing industry. After leaving school in 1971, he joined Behn Meyer Industries Sdn Bhd as a Technical Assistant. He left the company in 1976 and set up Kian Guan Trading Co. in 1977. In 1984, he founded Kawan Food Manufacturing Sdn Bhd ("KFM"), and was appointed its Managing Director. The growth of KFM from small business to an award-winning enterprise is attributable to his efforts.

His business acumen and sound technical knowledge in the food industry is an invaluable asset to the Group. He is responsible for the overall business planning and development, product research and development, transformation and modernisation of food production process through automation, formulation of companies' strategic plans and policies.

Mr. T.C. Gan is the husband to Madam Kwan Sok Kay and brother to Mr. Gan Thiam Hock. He has no conflict of interests with the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the Board Meetings held during the financial year ended 31 December 2009.

GAN THIAM HOCK
Non-Independent Executive Director

Gan Thiam Hock, aged 47, a Malaysian, was appointed to the Board of KFB on 1 June 2005. He is also the Chairman to the Remuneration Committee.

Mr. T.H. Gan has more than 25 years of experience in the marketing of pastry and frozen food products. After leaving school in 1981, he joined Mr. T.C. Gan at Kian Guan Trading Co. He is also the co-founder of KFM and holding the position as the Sales Director until today.

Mr. T.H. Gan is responsible for the overall expansion and development of the marketing networks of the Group, as well as implementation of sales, distributions and promotional activities for the domestic market.

Mr. T.H. Gan is the brother to Mr. Gan Thiam Chai and brother-in-law to Madam Kwan Sok Kay. He has no conflict of interests with the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the Board Meetings held during the financial year ended 31 December 2009.

KWAN SOK KAY
Non-Independent Executive Director

Kwan Sok Kay, aged 54, a Malaysian, was appointed to the Board of KFB on 1 June 2005.

After leaving school in 1973, she was involved in book-keeping work in several companies until she joined Unic Plastics Industries Sdn Bhd, a plastic products manufacturing company, as an Account cum Administrative Assistant in 1975. Subsequently, she joined Kawan Food Manufacturing Sdn Bhd in 1984 as a Director, before holding the post of Finance Director in 1986.

Madam Kwan is responsible for the financial management and administrative functions of the Group, as well as the implementation of accounting and operational procedures and human resource policies.

Madam Kwan is the wife to Mr. Gan Thiam Chai and sister-in-law to Mr. Gan Thiam Hock. She has no conflict of interests with the Company. She has never been convicted for any offence within the past ten (10) years. She attended all the Board Meetings held during the financial year ended 31 December 2009.

DIRECTORS' PROFILE
(CONTINUED)

CHEN SENG CHONG

Senior Independent Non-Executive Director

Chen Seng Chong, aged 61, a Malaysian, was appointed to the Board of KFB on 16 May 2005. He is also the Chairman of the Nomination Committee, a member of the Audit Committee and the Remuneration Committee.

Mr. Chen graduated with a Bachelor of Engineering (Hons) degree from the University of Malaya in 1973. Upon graduation he started work with Impact Industries Sdn Bhd as Plant Engineer. Later in the year, he joined the then Federal Industrial Development Authority (now known as Malaysian Industrial Development Authority ("MIDA") as a Project Evaluation Engineer. He was with MIDA for twenty-four (24) years and his last held position in MIDA was Deputy Director of the Electrical and Electronics Industries Division. He took optional retirement in 1997 and joined Bright Rims Manufacturing Sdn Bhd as General Manager. In 2000, he left the company to become an independent Industrial Consultant. He is a Member of the Institution of Engineers, Malaysia.

Mr. Chen does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the Board Meetings held during the financial year ended 31 December 2009.

LIM PENG @ LIM PANG TUN

Independent Non-Executive Director

Lim Peng @ Lim Pang Tun, aged 54, a Malaysian, was appointed to the Board of KFB on 16 May 2005. He is also the Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee.

Mr. Lim holds a Master in Business Administration degree from the Louisiana State University, United States of America. He is a Chartered Accountant of the Malaysian Institute of Accountants and an Associate Member of CPA Australia and the Chartered Institute of Management Accountants (UK).

He has over 25 years experience in corporate finance, accounting and general management; and has worked in the investment banking, healthcare, cruises, pharmaceuticals, chemicals and heavy equipments industry. He has held positions as Executive Director of Pantai Holdings Berhad, Paos Holdings Berhad and Vice-President, Finance and Treasury with Star Cruises Ltd. He was also previously the Vice-President, Business Development of Hwang-DBS Investment Bank Berhad and General Manager, Corporate Finance of Affin Investment Bank Berhad.

He is also a Director of UMS-Neiken Group Berhad, a company listed on Bursa Malaysia Securities Berhad.

Mr. Lim does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the Board Meetings held during the financial year ended 31 December 2009.

SOO YOKE MUN

Independent Non-Executive Director

Soo Yoke Mun, aged 60, a Malaysian, was appointed to the Board of KFB on 23 January 2009. He is a also member of the Audit Committee.

Mr. Soo obtained his Bachelor degree in Economics from University of Malaya and he is a member of Malaysian Institute of Accountants. He is a Public Accountant by profession. He has more than 20 years of working experience in the field of accounting, auditing and taxation. He is the partner of Y M Soo & Co., an accounting firm which was established since 1978.

He is also an Independent Non-Executive Director in Biosis Group Berhad and The Ayer Molek Rubber Company Berhad; two companies listed on Bursa Malaysia Securities Berhad.

Mr. Soo does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the Board Meetings held during the financial year ended 31 December 2009.

JAYENDRA JANARDAN VED

Non-Independent Non-Executive Director

Jayendra Janardan Ved, aged 47, a British, was appointed to the Board of KFB on 9 November 2009.

Mr. Ved is a fellow of the Institute of Chartered Accountants in England and Wales. He is a general practitioner based in London advising a wide range of clients on general business and commercial matters with emphasis on new business start-ups, UK inward investment, buying and selling companies as well as entrepreneurial businesses. His regular client work includes strategic tax advice, raising finance, corporate structuring and general commercial advice as well as accounting and audits of small and larger private companies.

He has assisted clients in the acquisition and sale of a clients' businesses, including initial negotiations, due diligence, tax structuring of the transaction and working with other professionals such as brokers, lawyers and top four accountancy practices.

Mr. Ved does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years. He attended one (1) out of five (5) Board Meetings held during the financial year ended 31 December 2009.

NARESHCHANDRA GORDHANDAS NAGRECHA

Non-Independent Non-Executive Director

Nareshchandra Gordhandas Nagrecha, aged 59, a British, was appointed to the Board of KFB on 31 December 2009.

Mr. Nagrecha graduated with a degree in Chemistry Microbiology from Bombay University and completed Master of Science (M.Sc) degree in Food Science at the Reading University. He also obtained a Post-Graduate Diploma in Management Studies from Hendon College of Further Education.

In 1977, Mr. Nagrecha joined Schweppes International as Technical Manager within the R&D department, where he gained experience in the technology of soft drinks. In 1982, he left Schweppes with a colleague and jointly founded Rubicon Drinks Limited, a company incorporated in England and Wales, to produce and distribute Exotic Juice Drinks, for the ethnic community in UK. The company grew rapidly and is now considered to be part of the mainstream drinks chain in UK. Currently, the Rubicon ranges of drinks are exported to over 20 countries from the UK. In August 2008, the company was sold to AG Barr plc, the third largest drinks manufacturer in the UK.

Mr. Nagrecha currently jointly owns Rubicon Food Products Limited ("RFPL"), a company incorporated in Canada. RFPL manufactures and distributes the Rubicon range of drinks as well as imports and distributes Shana range of frozen vegetables and flat bread for the South Asian market in North America. He is also the beneficial owner of Shana Foods Limited, a company incorporated in England and Wales, which imports and distributes Shana range of frozen vegetables and flat bread for the South Asian market in Europe.

Mr. Nagrecha has now settled in India and is presently developing Rubicon business in the rest of the world. At the same time, he has diversified into hospitality industry and in 2009, started a project of setting up a hotel & service apartment in Goa. The "Sandalwood Hotel & Retreat" opened its doors to first customer at the beginning of April 2010.

Apart from his business activities, Mr. Nagrecha is actively involved in Sanskruit Foundation UK ("SF"), a charitable organisation, and has been its chairman from 2002 until 2008. SF is affiliated with Sandipani Vidya Niketan, an organisation inspired and led by revered Sant Shree Rameshbhai Oza, popularly known as "Bhaishree". He is keenly involved in charitable work with Sandipani, SF UK and Jamnaben Gordhandas Nagrecha foundation. His special interest is in educating the needy.

Mr. Nagrecha does not have any family relationship with any Director and/or major shareholder of the Company. The details of his related party transactions with KFB Group are disclosed in the Circular to shareholders dispatched together with the Annual Report. He has never been convicted for any offence within the past ten (10) years. He has not attended any Board Meeting held during the financial year ended 31 December 2009.

CHIEF EXECUTIVE OFFICER'S PROFILE

JON FANG NEE CHOONG
Chief Executive Officer

Jon Fang Nee Choong, aged 49, a Malaysian, is the Chief Executive Officer of KFB and was appointed to the post on 1 March 2010.

Mr. Jon Fang holds a Master in Business Administration from University of Strathclyde, United Kingdom. He is an Associate Member of Malaysian Institute of Management where he obtained his Diploma in Management.

He began his career in the pharmaceutical and healthcare products industry in 1979 and held various sales and marketing roles in multinational companies. His last senior management position at Boots Healthcare International was Divisional Head of Sales & Marketing for Malaysia, Singapore & Indonesia.

He also held General Management positions in two fast moving consumer goods companies including a stint in a subsidiary of a public listed company in Malaysia where he successfully executed turnaround management of the company. Prior to his appointment as the Chief Executive Officer, he was the General Manager having joined the Group in 2005.

Mr. Jon Fang does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years.

GROUP CORPORATE STRUCTURE
(AS AT 30 APRIL 2010)

KAWAN FOOD BERHAD
(Investment Holding)

- 100% **KAWAN FOOD MANUFACTURING SDN BHD**
  (Manufacturing and Sales of Frozen Food Products)
- 100% **KG PASTRY MARKETING SDN BHD**
  (Trading and Distribution of Frozen Food Products)
- 100% **KAWAN FOOD (HONG KONG) LIMITED**
  (Trading and Distribution of Frozen Food Products)
  - 100% **KAWAN FOOD (NANTONG) CO., LTD.**
    (Manufacturing and Sales of Frozen Food Products)
- 100% **KAWAN FOOD CONFECTIONERY SDN BHD**
  (Dormant)
- 51% **KAYANGAN MANISAN (M) SDN BHD**
  (Manufacturing and Sales of Food Products)

GROUP FINANCIAL HIGHLIGHTS

	2009	2008	2007	2006	2005 *
KEY RESULTS (RM'000)					
Revenue	**87,635**	75,225	60,361	52,524	26,560
Operating profit (EBITDA)	**21,955**	15,627	12,315	12,686	7,753 **
Profit before tax	**17,749**	12,102	9,191	10,015	6,253 **
Net profit attributable to shareholders of the Company	**13,575**	9,491	8,258	8,237	5,194 **
BALANCE SHEET AND OTHER KEY DATA (RM'000)					
Total Assets	**109,070**	89,878	74,368	66,985	54,516
Total Liabilities	**25,952**	18,312	13,939	12,180	6,374
Share capital (Ordinary shares of RM0.50 each)	**60,000**	60,000	40,000	40,000	40,000
Equity attributable to shareholders of the Company	**83,113**	71,549	60,398	54,805	48,142
Total equity	**83,117**	71,565	60,429	54,805	48,142
Net cash from operating activities	**16,532**	15,399	12,619	14,317	574
Net cash balance	**8,585**	7,162	8,485	6,311	10,533
FINANCIAL RATIOS					
Revenue Growth (%)	**16.50**	24.62	14.92	15.36	N/A
Current Ratio (times)	**2.3**	2.2	3.6	4.3	6.5
Cash Ratio (times)	**0.9**	0.7	1.3	1.6	2.2
P/E ratio (times)	**11.40**	8.60	9.49	8.93	7.91
Total borrowings / Equity (%)	**13.40**	3.94	8.40	10.69	–
Long term borrowings / Equity (%)	**9.99**	2.20	5.92	8.34	–
SHARE INFORMATION					
Basic earnings per share (sen)	**11.31**	7.91	10.32	10.30	11.50 ***
Dividend per share (sen)	**–**	1.40	1.83	2.18	1.80
Net assets per share attributable to shareholders of the Company (RM)	**0.69**	0.60	0.75	0.69	0.60
Share price - High (RM)	**1.61**	0.99	1.22	1.06	1.09
Share price - Low (RM)	**0.85**	0.315	0.91	0.91	0.90
Share price as at 31 December (RM)	**1.29**	0.68	0.98	0.92	0.91
Company Market Capitalisation (RM'000)	**154,800**	81,600	78,400	73,600	72,800

Note:

* *Represent the results of the Group following the completion of the acquisition of the subsidiaries on 1 June 2005.*
** *Including a negative goodwill arising from the acquisition of subsidiaries amounting to RM1,388,571.*
*** *For 2005, figures are computed based on the weighted average number of ordinary shares issued during the year.*

EXECUTIVE CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report and Audited Financial Statements of Kawan Food Berhad ("KFB") and its Group results for the financial year ended 31 December 2009.

FINANCIAL HIGHLIGHTS

KFB continued to perform satisfactorily in 2009 despite the global economic recovery that remains slow and vulnerable. The Group achieved higher revenue of RM87.6 million, an increase of 16.5% compared to RM75.2 million in 2008. Despite the weak global economy in 2009, the higher revenue was achieved mainly due to the demand for the Group's products that remained stable.

The Group also achieved a higher profit before tax ("PBT") of RM17.7 million, which is 46.7% higher than the RM12.1 million achieved in 2008. The higher PBT was achieved in tandem with the higher revenue and lower input materials costs. The profit after tax ("PAT") of RM13.6 million is also higher by 43.1% compared to RM9.5 million in 2008.

CORPORATE DEVELOPMENT

On 31 December 2009, KFB completed the transfer of the 100% equity interest in Kawan Food (Nantong) Co., Ltd ("KFN") to Kawan Food (Hong Kong) Limited ("KFHK") at a total consideration of USD6,050,000; equivalent to the paid-up capital injected by KFB in KFN. KFHK is a wholly owned subsidiary of KFB. Upon the completion of the transfer, KFN is a wholly owned subsidiary of KFHK while KFHK will remain as the wholly owned subsidiary of KFB. Therefore, the ultimate holding company of KFN is KFB.

The new factory in China owned by KFN commenced soft operation in August 2009. The facilities will progressively be commissioned in 2010 and we foresee the production capacity of the Group would gradually increase to meet market demand.

Apart from China, Kawan Food Manufacturing Sdn Bhd ("KFM") has also expanded its production activities with the new factory in Section 16, Shah Alam, Selangor Darul Ehsan. With the extra production floor areas, the Group would still focus on its core products, that is, flat-bread range products which contributed more than 60% of its total output.

DIVIDEND

On 16 March 2009, the Company declared a tax exempt dividend of 1.4 sen per ordinary share totalling RM1,680,000 in respect of the financial year ended 31 December 2008. The dividend was paid on 30 April 2009.

On 15 March 2010, the Company declared a tax exempt interim dividend of 1.4 sen per ordinary share totalling RM1,680,000 in respect of the financial year ending 31 December 2010 payable on 30 April 2010.

The Board does not recommend any final dividend in respect of the financial year ended 31 December 2009.

CORPORATE SOCIAL RESPONSIBILITY

The Group continues to sponsor its employees to participate in external seminars and training that help to improve their skills and knowledge with the aim to groom potential candidates as part of future succession planning. The training would also enhance work quality and ultimately improve employees' job performance.

The Group has also given highest priority to maintain a healthy and safe working environment. All the employees are well covered under accident and disability; and medical and hospitalisation insurance policies. The employees in the production department are properly attired and are briefed with safety guidelines and good manufacturing practices.

With the ISO 22000:2005 for Food Safety Management Systems and British Retail Consortium (BRC) Global Standard for Food Safety Certification from Lloyd's



Register Quality Assurance, the Group will continue its efforts to fulfil the social obligation to produce high quality products that are made affordable to all consumers at large.

In the third quarter of 2009, the Group adopted an orphanage called Pertubuhan Kebajikan Anak-Anak Yatim & Miskin in Klang. To date, contributions in the form of freezer for the orphanage's canteen and food products were made in line with the Group's effort to give back to the society by providing for the underprivileged community.

The Group has taken a small role to help reducing the global warming. Employees are instilled with the habits to conserve energy and caring for the environment by switching off the electricity supply of computer monitors, lights and air-conditioners during lunch break; and segregating the waste papers and plastic bags into recycle bins. Each of us indeed plays an important role to preserve the environment to help in balancing the ecosystems. Awareness by everybody is important to counter the escalating global climate changes.

OUTLOOK AND PROSPECTS

The Group is confident to capitalise from its expanding production capacity in both Malaysia and China and tap into bigger market shares. The Group has set priority to develop the domestic market in China. China being the most populous country in the world with more than 1.3 billion people would have immense opportunities for the Group to promote its products. The demand for food products has risen following the rapid growth of China's economy.

With new production facilities in Malaysia and China, product research and development activities would be further intensified and the Group would be able to launch more innovative products that could cater for different market segments. Barring unforeseen circumstances, the KFB Group is looking forward to achieve a better performance in 2010.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I wish to thank all our shareholders, financiers, valued customers, suppliers and business associates for their trust and continued supports. I wish to take this opportunity to express my utmost appreciation to both Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain and Datuk Haji Ibrahim Bin Haji Ahmad who had retired as directors on 9 November 2009, for their invaluable counsel and contributions during their tenure with the Group. I am also pleased to welcome Mr. Nareshchandra Gordhandas Nagrecha and Mr. Jayendra Janardan Ved who joined the Board as Non-Independent Non-Executive Directors in the last quarter of 2009.

Last but not least, my sincere appreciation goes to fellow Board members for their support; and the Management and staff for their hard work, dedication and commitment to the Group.

GAN THIAM CHAI
Executive Chairman
28 April 2010

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors ("the Board") of Kawan Food Berhad ("KFB" or "the Company") acknowledges the importance of practising good corporate governance in the Group. The Board is committed to ensuring that the principles and best practices of corporate governance as set out in the Malaysian Code of Corporate Governance ("the Code") are observed and adopted as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The following statement sets out how the Board has applied the principles of the Code and the extent of the compliance with the best practices during the financial year ended 31 December 2009.

BOARD OF DIRECTORS

PRINCIPAL RESPONSIBILITIES OF THE BOARD

The Board of KFB retains its effective control and responsibility for the performance of the Group. The Board provides the Company with the stewardship of its overall strategic directions, development and operations of the Group. The Board is empowered to decide on all matters relating to the Company's business and to delegate these powers to executive management as considered appropriate.

The Board has yet to establish a formal schedule of matters reserved to itself for decision, but will establish one taking into consideration the business size, its nature and complexities.

BOARD BALANCE

The Board currently has eight (8) members, comprising an Executive Chairman, two (2) Non-Independent Executive Directors, two (2) Non-Independent Non-Executive Directors, a Senior Independent Non-Executive Director and two (2) Independent Non-Executive Directors. The profile of each Director is presented on pages 9 to 11 of this Annual Report.

The composition of the Board has complied with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires that at least two Directors or one-third of the Board members of the Company, whichever is higher, are independent. The concept of independence adopted by the Board is in accordance with the definition of an Independent Director in Section 1.01 of the Listing Requirements of Bursa Securities.

All the Non-Executive Directors are free from all the management duties and they do not have any family relationship with any of the Executive Board members which could interfere with their independent judgements during the decision-making process of the Board.

The Board is satisfied that the current composition of the Board fairly reflects the investment of minority shareholders.

BOARD MEETINGS

The Board meets at least four (4) times a year which is scheduled at quarterly basis, with additional meetings convened as and when required.

During the financial year ended 31 December 2009, the Board met five (5) times, with details of the attendance as follows:

Name of Directors	No. of Board meetings attended
Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain (resigned on 9 November 2009)	3/4
Gan Thiam Chai	5/5
Datuk Haji Ibrahim bin Haji Ahmad (resigned on 9 November 2009)	3/4
Gan Thiam Hock	5/5
Kwan Sok Kay	5/5
Lim Peng @ Lim Pang Tun	5/5
Chen Seng Chong	5/5
Soo Yoke Mun (appointed on 23 January 2009)	5/5
Jayendra Janardan Ved (appointed on 9 November 2009)	1/1
Nareshchandra Gordhandas Nagrecha (appointed on 31 December 2009)	N/A

DIRECTORS' TRAINING

All the Directors of the Company have attended the Mandatory Accreditation Programme ("MAP"). New directors will be briefed on the Company's history, operations and financial control system and plant visit to enable them to have in-depth understanding of the Company's operation.

Directors are encouraged to attend continuous education programmes and seminars to keep abreast of relevant changes in laws and regulations and the development in the industry. During the financial year ended 31 December 2009, the external training programmes and seminars attended by the Directors are as follows:-

	Directors	Courses / Seminars / Conferences
1.	Gan Thiam Chai	• Branding Malaysian Businesses for Success in China
2.	Lim Peng @ Lim Pang Tun	• Global Economic Crisis: Challenges and Opportunity • How to Take Advantage of Current Economic Conditions • Malaysian Corporate Governance Index 2009
3.	Chen Seng Chong	• Towards Enhancing Corporate Integrity – From Roots to Fruits • Internal Auditing: Assurance and Value Creation • Forum on Corporate Governance Best Practices • Branding Malaysian Businesses for Success in China
4.	Soo Yoke Mun	• Corporate Tax Planning SME • National Tax Conference • National Accountants Conference • 2010 Budget
5.	Kwan Sok Kay	• Working Smart Using Excel 2003
6.	Jayendra Janardan Ved	• Mandatory Accreditation Programme for Directors of Public Listed Companies

Other Directors who have not attended any training courses due to works commitments during the financial year will make efforts to participate in suitable courses, seminars and conferences that would help to enhance their skills and expertise to keep abreast with the development of the industry and regulations set by the authorities.

SUPPLY OF INFORMATION

The Board is provided with sufficient and timely information to enable it to discharge its duties effectively. This information includes both verbal and written details. Senior Management would be invited to present at the Board and Audit Committee Meetings, as and when required, to provide further explanation and representation to the Board. Besides Board Meetings, the Board also exercises control on matters that require Board's approval through circulation of the Directors' Circular Resolutions.

Prior to Board Meetings, relevant papers which include the agenda and reports are circulated to all members. All Directors have full and timely access to information with Board Papers distributed in advance of the meetings. This is to ensure that the Directors have sufficient time to appreciate the issues to be deliberated at the meetings and expedite the decision making process.

In order to discharge their responsibilities effectively, the Directors have access to all information within the Company and to the advice and services of the Company Secretary. There is no formal mechanism and procedure setting the manner in which independent professional advice may be resorted to by the Board as a whole or by individual Directors. However, the Board or the Directors may obtain independent professional advice from external consultants or advisers in furtherance of their duties, at the Company's expense.

APPOINTMENT AND RE-ELECTION

Any proposed new appointments to the Board require deliberation by the full Board guided by and taking into consideration the recommendation of the Nomination Committee.

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors shall retire from office provided always that all Directors (including the Managing Director) shall retire from office once at least in each three (3) years, but shall be eligible for re-election. Directors who are appointed by the Board to fill a casual vacancy shall hold office until the next following Annual General Meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

Directors over seventy (70) of age are required to submit themselves for re-appointment in accordance with Section 129(6) of the Companies Act, 1965.

BOARD COMMITTEES

The Board had established the following committees which have its own terms and reference to govern their responsibilities.

(i) Audit Committee

This Committee was established on 29 July 2005, comprising a Senior Independent Non-Executive Director and two (2) Independent Non-Executive Directors:-

- Lim Peng @ Lim Pang Tun (Chairman)
- Chen Seng Chong (Committee Member)
- Soo Yoke Mun (Committee Member)

The detailed composition and functions of the Audit Committee are set out in the Audit Committee Report on pages 24 to 26 of this Annual Report.

(ii) Remuneration Committee

The Remuneration Committee has three (3) members comprising a Senior Independent Non-Executive Director, an Independent Non-Executive Director and a Non-Independent Executive Director:-

- Gan Thiam Hock (Chairman)
- Lim Peng @ Lim Pang Tun (Committee Member)
- Chen Seng Chong (Committee Member)

The primary objective of the Remuneration Committee is to act as a committee of the full Board to assist in assessing the remuneration of the directors reflecting the responsibility and commitment undertaken by the Board membership.

The mechanism to determine the remuneration packages of the Directors has yet to be formalised. The Board as a whole will determine the remuneration packages of the Directors, with individual Directors abstaining from decisions in respect of their individual remuneration.

Details of Attendance

Meetings shall be held not less than one (1) time a year. There was one (1) meeting held during the financial year ended 31 December 2009. Details of the attendance are as follows:-

			Number of meetings attended
Chairman	:	**Gan Thiam Hock** (Non-Independent Executive Director)	1/1
Members	:	**Lim Peng @ Lim Pang Tun** (Independent Non-Executive Director)	1/1
		Chen Seng Chong (Senior Independent Non-Executive Director)	1/1

(iii) Nomination Committee

The Nomination Committee has two (2) members comprising a Senior Independent Non-Executive Director and an Independent Non-Executive Director:-

- Chen Seng Chong (Chairman)
- Lim Peng @ Lim Pang Tun (Committee Member)

The primary objective of the Nomination Committee is to act as a committee of the full Board to assist in discharging the following responsibilities:-

(a) assessing the existing Directors' ability to contribute to the effective decision making of the Board;
(b) identifying, appointing and orientating new Directors;
(c) identifying the mix skills and experience and other qualities the Board requires for it to function completely and efficiently.

Meetings shall be held not less than one (1) time a year. There was one (1) meeting held during the financial year ended 31 December 2009. Details of the attendance are as follows:-

			Number of meetings attended
Chairman	:	**Chen Seng Chong** (Senior Non-Independent Executive Director)	1/1
Member	:	**Lim Peng @ Lim Pang Tun** (Independent Non-Executive Director)	1/1

There is no formalised mechanism for the annual assessment for Directors' performance.

DIRECTORS' REMUNERATION

The aggregate Directors' remuneration paid or payable or otherwise made available to all Directors of the Company who served the Group during the year ended 31 December 2009 are as follows:-

	Fees RM'000	Benefits-in-kind RM'000	Salaries, Bonuses & EPF RM'000	Total RM'000
Executive Directors	82	35	1,187	1,304
Non-Executive Directors	146	–	–	146
Total	**228**	**35**	**1,187**	**1,450**

The number of Directors of the Company who served during the financial year ended 31 December 2009 and whose income derived from the Group falls within the following bands are:-

	Executive Director	Non-Executive Director
RM50,000 and below	–	7
RM300,001 to RM350,000	2	–
RM600,001 to RM650,000	1	–
Total	**3**	**7**

In respect of the non-disclosure of detailed remuneration of each director, the Board views that the transparency of the Directors' remuneration has been appropriately dealt with by the "band disclosure" presented above.

SHAREHOLDERS COMMUNICATION AND INVESTORS RELATIONS

The Board acknowledges the need for the shareholders to be informed of all material business matters affecting the Company. In addition to various announcements made, the timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations.

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. Notice of AGM together with the copy of the Company's Annual Report will be sent to shareholders at least twenty one (21) days prior to the meeting. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Members of the Board as well as the external auditors will be present to answer questions relevant to the resolutions being proposed and the financial performance and business operations of the Company.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board takes responsibility to present a balanced, clear and fair assessment of the Group's annual financial statements and quarterly results to the shareholders, investors and regulatory authorities. The Board is assisted by the Audit Committee in reviewing the Group financial reporting processes and information disclosed to ensure the accuracy, adequacy and completeness of its financial reporting.

A Statement on Directors' Responsibility for preparing the annual audited accounts is set out on page 30 of this Annual Report.

INTERNAL CONTROL

The Board acknowledges its responsibilities and recognises the importance of ensuring a sound system of internal control to be in place in the Group. Currently, the Company has outsources its internal audit function to a professional firm.

A Statement on Internal Control, which provides an overview of the state of internal control within the Group is set out on pages 28 to 29 of this Annual Report.

RELATIONSHIP WITH THE AUDITORS

The Company through the Audit Committee has established a transparent, professional and close working relationship with its internal and external auditors.

The role of the Audit Committee in relation to the internal and external auditors is set out in Audit Committee Report on pages 24 to 26 of this Annual Report.

This statement is made at the Board of Directors' Meeting held on 28 April 2010.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") is pleased to present the Report of the Audit Committee for the financial year under review.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. MEMBERSHIP

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, all the members must be non-executive directors, with a majority of them being independent directors, and at least one member of the Committee must be a member of the Malaysian Institute of Accountants ("MIA"). If he is not a member of MIA, he must fulfill such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

A quorum shall consist of two (2) members and a majority of the members present must be Independent Directors.

If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

2. CHAIRMAN

The Chairman of the Committee shall be an Independent Director appointed by the Board. He shall report on each meeting of the Committee to the Board.

3. SECRETARY

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the Committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee members and to the other members of the Board.

4. FREQUENCY OF MEETINGS

Meetings shall be held not less than four (4) times a year and will normally be attended by the Director charged with the responsibility of the Group's financial condition. The presence of external auditors will be requested if required and the external auditors may also request a meeting if they consider it necessary.

DETAILS OF ATTENDANCE

Five (5) meetings were held during the financial year ended 31 December 2009. Details of the attendance are as follows: -

		Number of meetings attended
Chairman :	**Lim Peng @ Lim Pang Tun** (Independent Non-Executive Director)	5/5
Members :	**Chen Seng Chong** (Senior Independent Non-Executive Director)	5/5
	Soo Yoke Mun (Independent Non-Executive Director)	5/5

SUMMARY OF ACTIVITIES

The Committee carried out its duties in accordance with its terms of reference during the financial year. The main activities undertaken by the Committee were as follows: -

a) Reviewed the Group's unaudited quarterly financial results with the management and recommended to the Board for approval prior to release to the Bursa Securities;

b) Reviewed with the external auditors, the draft Audited Financial Statements for the financial year ended 31 December 2008 to ensure that the audited financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB") prior to submission to the Board for consideration and approval;

c) Reviewed with the external auditors, the audit plan, audit strategy and scope of work prior to commencement of annual audit;

d) Reviewed the issues arising from the final audit;

e) Reviewed the performance of external auditors before recommending to the Board their reappointment and remuneration;

f) Reviewed with the external auditors, the impact of adopting the revised/new Financial Reporting Standards;

g) Reviewed with the external auditors, the significant risk areas and the Group's exposure;

h) Reviewed with the internal auditors, the internal audit plans to ensure the adequacy of scope and coverage of audit;

i) Reviewed with the internal auditors, the internal audit reports together with management's response and proposed action plans;

j) Reviewed the Statement on Internal Control prior to submission to external auditors for review and to the Board for consideration and inclusion in the Annual Report;

k) Reviewed the related party transactions that may arise within the Company and the Group to ensure compliance with the Listing Requirements of Bursa Securities and the Accounting Standards; and

l) Meeting with the external auditors.

5. AUTHORITY

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

The Committee is also authorised to convene meetings with the external auditors without the attendance of the executive members of the Board and Management, whenever deemed necessary.

6. DUTIES

The duties of the Committee shall be:-

a) To review and recommend the appointment of external auditors, the audit fee and any questions of resignation or dismissal including the nomination of person or persons as external auditors;

b) To discuss with the external auditors where necessary, the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved;

c) To review the quarterly results and year end financial statements prior to approval by the Board, focusing on:-

- going concern assumption
- compliance with accounting standards and regulatory requirements
- any changes in accounting policies and practices
- significant issues arising from the audit
- major judgmental areas

d) To prepare Audit Committee Report at the end of each financial year;

e) To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management and Executive Board Members, where necessary);

f) To review the external auditors' management letter and management's response;

g) To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

h) To carry out such other responsibilities, functions or assignments as may be defined jointly by the Committee and the Board of Directors from time to time; and

i) In compliance with Paragraph 15.16 of the Main Market Listing Requirements of Bursa Securities, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities, the Committee must promptly report such matter to the Bursa Securities.

7. INTERNAL AUDIT FUNCTION

The Committee recognises that an internal audit function is essential to ensure the effectiveness of the Group's system of internal control and is an integral part of the risk management process. The Group has outsourced its internal audit function to an external consultant during the financial year.

For the financial year ended 31 December 2009, the amount of fees incurred in respect of the internal audit reviews performed by the external consultant was RM37,449.

Details pertaining to internal audit function are set out in the Statement on Internal Control on pages 28 to 29 of this Annual Report.

OTHER INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

SHARE BUY-BACK

The Company did not carry out any share buy-back during the financial year.

OPTIONS OR CONVERTIBLE SECURITIES

There were no options or convertible securities issued during financial year.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

The Company has not sponsored any ADR or GDR programme during the financial year.

SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or management of the Company and its subsidiaries by any regulatory bodies during the financial year.

NON-AUDIT FEE

The amount of non-audit fees paid and payable to the external auditors, Messrs KPMG for the financial year ended 31 December 2009 amounted to RM 8,000.

VARIATION IN RESULTS

There is no material variance between the audited financial statements for the year ended 31 December 2009 and the announced unaudited financial statements for the fourth quarter ended 31 December 2009.

PROFIT GUARANTEE

There was no profit guarantee given by the Company.

MATERIAL CONTRACTS

There are no material contracts entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders.

REVALUATION POLICY ON LANDED PROPERTIES

There is no revaluation policy on landed properties adopted by the Company and its subsidiaries during the financial year.

Particulars of the Group's properties are set out on pages 75 to 78 of this Annual Report.

RECURRENT RELATED-PARTY TRANSACTIONS

Details of related parties transactions entered by the Company and the Group during the financial year are disclosed in Note 24 of the Financial Statements.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. In pursuance thereof, the Board of Directors (the "Board") of Kawan Food Berhad is pleased to set out below its Statement on Internal Control that was prepared in accordance with Bursa Securities' Statement on Internal Control – Guidance for Directors of Public Listed Companies ("Internal Control Guidance") and Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board believes the practice of good corporate governance is an important continuous process and not just a matter to be covered as compliance in its annual report.

BOARD RESPONSIBILITY

The Board acknowledges its responsibilities and recognises the importance of ensuring a sound system of internal control and effective risk management practices to be in place in the Group. The Board is aware that ultimately, the responsibility for the Group's system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity, rests with the Board.

As there are limitations inherent in any system of internal control, the system is therefore designed to manage rather than eliminate risks that may impede the Group in achieving its business objectives. The Board acknowledges that the system can only provide reasonable and not absolute assurance against any material misstatement, losses or fraud. The Board confirms that appropriate initiatives to implement a system of internal control with the elements highlighted above are currently being implemented. There is an ongoing process for identifying and managing the significant risks faced by the Group. The process is reviewed by the Board through the Audit Committee which is assisted by the internal audit function.

RISK MANAGEMENT FRAMEWORK

The Board recognises that effective risk management framework is an integral part of the business operations. An Enterprise Risk Management framework has been established since December 2005. The framework allows the key management personnel to identify, evaluate and manage risks that affect the achievement of the Group's business objectives within defined risk parameters in a timely and effective manner.

All residual risks were individually ranked as high, significant, moderate or low, having regard to:

- the magnitude of the impact of an identified risk occurring;
- the likelihood of such a risk occurring; and
- the effectiveness of the risk mitigation strategies and controls currently in place to manage such risks.

INTERNAL AUDIT FUNCTION

With the establishment of the risk management framework, the Group has outsourced its internal audit function to an external consultant simultaneously to provide the Board with assurance in respect of the adequacy of risk management, internal control and governance system.

The internal auditors have had a discussion with the management for the purpose of identifying the auditable areas. A three (3) years' audit plan for the Group has been established by the internal auditors and approved by the Audit Committee in the 1st quarter of 2009. During the financial year ended 31 December 2009, three (3) internal control reviews and one (1) follow up review had been carried out by the internal auditors. Internal audit reports which include audit findings, recommendations and management's response were presented to the Audit Committee during the Audit Committee meetings.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from risk management and internal audit, the other key elements of the Group's internal control system are described below:

1. The Board has put in place an organisation structure with defined lines of responsibility and delegation of authority.

2. With regard to the ISO22000:2005 Food Safety Management Systems obtained by a subsidiary, two (2) surveillance audits were conducted by Lloyd's Register Quality Assurance ("LRQA") in February and July 2009 respectively. ISO22000:2005 specifies requirements for a food safety management system where an organisation in the food chain needs to demonstrate its ability to control food safety hazards in order to ensure that food is safe at the time of human consumption. An internal audit for ISO22000:2005 was also carried out in July 2009.

   After the same subsidiary obtained its British Retail Consortium ("BRC") Global Standard for Food Safety in March 2009, an internal audit was carried out in July 2009. The Standard has been developed to specify the safety, quality and operational criteria required to be placed within a food manufacturing organisation to fulfill obligations with regard to legal compliance and protection of the consumers. The format and content of the Standard is designed to allow an assessment of a company's premises, operational systems and procedures by a competent third party – the certification body – against the requirements of the Standard.

3. The Board is provided with quarterly performance report that contains information on financial performance and key business indicators for monitoring.

4. Operations Committee Meetings are held by the management approximately once a month to review and evaluate any issues that have impact on the Group or its stakeholders, either by a breach of process / procedure, or where beneficial opportunities may be missed.

CONCLUSION

There were no material losses reported during the current financial year as a result of weaknesses in internal control. The Board and management will continue to take measures to strengthen the internal control environment.

This Statement is made in accordance with a resolution of the Board of Directors dated 28 April 2010.

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Board of Directors is required under Paragraph 15.26(a) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement explaining the Board's responsibility in preparing the annual audited financial statements.

In preparing the annual financial statements of the Company and the Group, the Directors are collectively responsible to ensure that these financial statements have been prepared to give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and the results and cash flows of the Company and the Group are in accordance with the applicable approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") and the provision of the Companies Act, 1965 ("the Act").

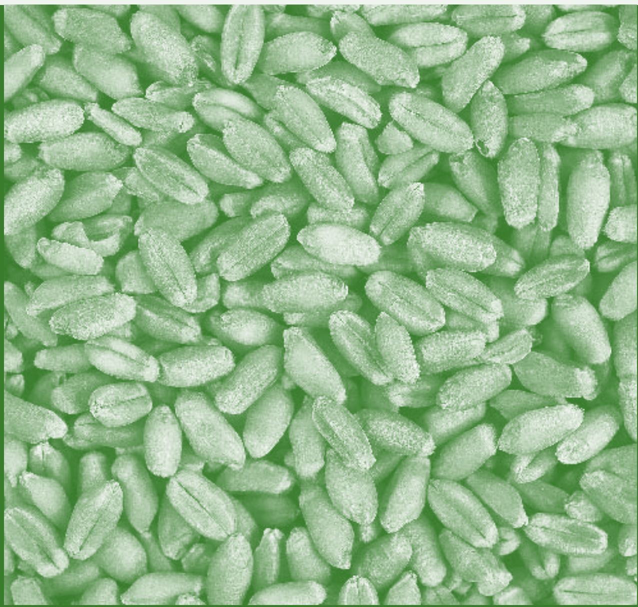
In preparing the financial statements for the year ended 31 December 2009 set out on pages 31 to 70 of this Annual Report, the Directors have: -

i) adopted appropriate accounting policies and applied them consistently;
ii) made judgements and estimates that are reasonable and prudent;
iii) ensured that all applicable approved FRS issued by MASB have been followed; and
iv) prepared financial statements on the going concern basis.

The Directors have responsibility for ensuring that the proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 28 April 2010.



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of its subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	13,575,341	3,557,168
Minority interests	(11,814)	–
	13,563,527	3,557,168

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company:

i) paid an interim tax exempt dividend of 1.4 sen per ordinary share totalling RM1,680,000 in respect of the financial year ended 31 December 2008 on 30 April 2009.

ii) declared an interim tax exempt dividend of 1.4 sen per ordinary share totalling RM1,680,000 on 15 March 2010 in respect of the financial year ending 31 December 2010 which is payable on 30 April 2010. This dividend will be recognised in the financial year ending 31 December 2010.

The Directors do not recommend any final dividend to be paid for the year under review.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Chen Seng Chong	
Lim Peng @ Lim Pang Tun	
Gan Thiam Chai	
Gan Thiam Hock	
Kwan Sok Kay	
Soo Yoke Mun	
Jayendra Janardan Ved	(appointed on 9 November 2009)
Nareshchandra Gordhandas Nagrecha	(appointed on 31 December 2009)
Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain	(resigned on 9 November 2009)
Datuk Haji Ibrahim Bin Haji Ahmad	(resigned on 9 November 2009)

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	Balance at 1.1.2009	Bought	Sold	Balance at 31.12.2009
Direct interests in the Company				
Chen Seng Chong	225,000	–	–	225,000
Lim Peng @ Lim Pang Tun	150,000	–	–	150,000
Gan Thiam Chai	39,960,000	–	–	39,960,000
Gan Thiam Hock	10,080,000	–	–	10,080,000
Kwan Sok Kay	10,060,500	–	–	10,060,500
Deemed interests through Goshenite Limited				
Nareshchandra Gordhandas Nagrecha	–	28,800,000	–	28,800,000

By virtue of their interests in the shares of the Company, Chen Seng Chong, Lim Peng @ Lim Pang Tun, Gan Thiam Chai, Gan Thiam Hock, Kwan Sok Kay and Nareshchandra Gordhandas Nagrecha are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in the financial statements or the fixed salaries of full time employees of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a corporation in which the Director has a substantial financial interest, other than a Director and the spouse of a Director who have significant financial interests in companies which traded with certain companies within the Group in the ordinary course of business as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Company during the year.

There were no debentures issued during the year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year.

OTHER STATUTORY INFORMATION

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

In December 2009, the Company undertook an internal reorganisation and disposed of the entire interest in shares of Kawan Food (Nantong) Co., Ltd. ("KFN"), a wholly-owned subsidiary of the Company, to Kawan Food (Hong Kong) Limited ("KFHK"), another wholly-owned subsidiary of the Company, for a total cash consideration of USD6,050,000 (approximately RM20,650,000), thereby resulting in KFN becoming a wholly-owned subsidiary of KFHK.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

GAN THIAM CHAI

KWAN SOK KAY

Kuala Lumpur,

Date: 28 April 2010

BALANCE SHEETS
AT 31 DECEMBER 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Assets					
Property, plant and equipment	3	**54,741,860**	46,740,375	**–**	–
Prepaid lease payments	4	**11,656,687**	10,678,829	**–**	–
Investment property	5	**929,807**	952,578	**–**	–
Investments in subsidiaries	6	**–**	–	**35,095,616**	52,051,882
Deferred tax assets	7	**100,043**	21,212	**–**	–
Goodwill	8	**204,230**	204,230	**–**	–
Total non-current assets		**67,632,627**	58,597,224	**35,095,616**	52,051,882
Inventories	9	**5,575,501**	3,296,373	**–**	–
Receivables, deposits and prepayments	10	**17,877,462**	16,658,549	**29,751,444**	9,231,075
Current tax assets		**1,357,303**	1,796,715	**225,453**	225,286
Cash and cash equivalents	11	**16,626,907**	9,528,745	**91,209**	1,116,095
Total current assets		**41,437,173**	31,280,382	**30,068,106**	10,572,456
Total assets		**109,069,800**	89,877,606	**65,163,722**	62,624,338
Equity					
Share capital		**60,000,000**	60,000,000	**60,000,000**	60,000,000
Reserves		**23,113,124**	11,549,376	**4,213,506**	2,336,338
Total equity attributable to owners of the Company	12	**83,113,124**	71,549,376	**64,213,506**	62,336,338
Minority interests		**4,260**	16,074	**–**	–
Total equity		**83,117,384**	71,565,450	**64,213,506**	62,336,338
Liabilities					
Loans and borrowings (secured)	13	**5,993,038**	1,317,573	**–**	–
Deferred tax liabilities	7	**1,935,645**	2,606,000	**–**	–
Total non-current liabilities		**7,928,683**	3,923,573	**–**	–
Loans and borrowings (secured)	13	**2,048,580**	1,048,729	**–**	–
Payables and accruals	14	**15,637,437**	11,838,011	**950,216**	288,000
Current tax liabilities		**337,716**	1,501,843	**–**	–
Total current liabilities		**18,023,733**	14,388,583	**950,216**	288,000
Total liabilities		**25,952,416**	18,312,156	**950,216**	288,000
Total equity and liabilities		**109,069,800**	89,877,606	**65,163,722**	62,624,338

The notes on pages 41 to 70 are an integral part of these financial statements.

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Revenue	15	**87,634,892**	75,224,981	**5,000,000**	13,000,000
Cost of sales		**(49,555,244)**	(46,969,324)	**–**	–
Gross profit		**38,079,648**	28,255,657	**5,000,000**	13,000,000
Other income		**1,742,373**	534,307	**412,175**	16,643
Selling and distribution expenses		**(12,814,238)**	(9,620,543)	**–**	–
Administrative expenses		**(8,688,353)**	(6,777,134)	**(620,893)**	(710,334)
Results from operating activities		**18,319,430**	12,392,287	**4,791,282**	12,306,309
Finance costs	18	**(570,474)**	(290,590)	**(1,695)**	(2,217)
Profit before tax	16	**17,748,956**	12,101,697	**4,789,587**	12,304,092
Income tax expense	19	**(4,185,429)**	(2,625,630)	**(1,232,419)**	(1,133,014)
Profit for the year		**13,563,527**	9,476,067	**3,557,168**	11,171,078
Attributable to:					
Owners of the Company		**13,575,341**	9,491,233	**3,557,168**	11,171,078
Minority interests		**(11,814)**	(15,166)	**–**	–
		13,563,527	9,476,067	**3,557,168**	11,171,078
Basic earnings per ordinary share (sen)	20	**11.31**	7.91		

The notes on pages 41 to 70 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

		<——— Attributable to owners of the Company				———>		
		<——— Non-distributable		———>	Distributable			
Group	**Note**	**Share capital RM**	**Translation reserve RM**	**Share premium RM**	**Retained earnings RM**	**Total RM**	**Minority interests RM**	**Total equity RM**
At 1 January 2008		40,000,000	(155,339)	3,519,090	17,034,041	60,397,792	31,240	60,429,032
Bonus issue		20,000,000	–	(3,519,090)	(16,480,910)	–	–	–
Foreign exchange translation differences		–	1,660,351	–	–	1,660,351	–	1,660,351
Profit for the year		–	–	–	9,491,233	9,491,233	(15,166)	9,476,067
At 31 December 2008 / 1 January 2009		60,000,000	1,505,012	–	10,044,364	71,549,376	16,074	71,565,450
Foreign exchange translation differences		–	(331,593)	–	–	(331,593)	–	(331,593)
Profit for the year		–	–	–	13,575,341	13,575,341	(11,814)	13,563,527
Dividends to owners of the Company	21	–	–	–	(1,680,000)	(1,680,000)	–	(1,680,000)
At 31 December 2009		60,000,000	1,173,419	–	21,939,705	83,113,124	4,260	83,117,384
		Note 12	Note 12					

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	**Share capital RM**	**Share premium RM**	**Retained earnings RM**	**Total equity RM**
Company					
At 1 January 2008		40,000,000	3,519,090	7,646,170	51,165,260
Profit for the year		–	–	11,171,078	11,171,078
Bonus issue		20,000,000	(3,519,090)	(16,480,910)	–
At 31 December 2008 / 1 January 2009		60,000,000	–	2,336,338	62,336,338
Profit for the year		–	–	3,557,168	3,557,168
Dividends to owners of the Company	21	–	–	(1,680,000)	(1,680,000)
At 31 December 2009		60,000,000	–	4,213,506	64,213,506
		Note 12		Note 12	

The notes on pages 41 to 70 are an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Cash flows from operating activities					
Profit before tax		**17,748,956**	12,101,697	**4,789,587**	12,304,092
Adjustments for:					
Amortisation of prepaid lease payments		**221,956**	148,997	**–**	–
Depreciation of investment property		**22,771**	22,771	**–**	–
Depreciation of property, plant and equipment		**3,780,221**	3,430,881	**–**	–
Dividend income		**–**	–	**(5,000,000)**	(13,000,000)
Gain on disposal of property, plant and equipment		**(64,853)**	(15,208)	**–**	–
Interest expense		**372,196**	156,462	**–**	–
Interest income		**(190,816)**	(233,893)	**(412,175)**	(16,643)
Unrealised foreign exchange loss		**599,306**	323,067	**127,686**	150,500
Operating profit / (loss) before working capital changes		**22,489,737**	15,934,774	**(494,902)**	(562,051)
Changes in working capital:					
Inventories		**(2,279,128)**	(172,307)	**–**	–
Payables and accruals		**3,799,426**	3,862,762	**662,216**	47,763
Receivables, deposits and prepayments		**(1,818,219)**	(3,816,161)	**(20,648,055)**	(2,058,045)
Cash generated from / (used in) operations		**22,191,816**	15,809,068	**(20,480,741)**	(2,572,333)
Income tax paid		**(6,302,018)**	(461,890)	**–**	(3,000)
Income tax refunded		**642,688**	56,584	**17,414**	56,584
Interest paid		**–**	(4,892)	**–**	–
Net cash from / (used in) operating activities		**16,532,486**	15,398,870	**(20,463,327)**	(2,518,749)
Cash flows from investing activities					
Acquisition of leasehold land		**(1,224,636)**	–	**–**	–
Acquisition of property, plant and equipment	(i)	**(11,844,176)**	(17,371,835)	**–**	–
Acquisition of subsidiary, net of cash disposed	26.2	**–**	–	**–**	(2)
Disposal of subsidiary, net of cash acquired	26.1	**–**	–	**20,650,000**	–
Dividends received		**–**	–	**3,750,000**	11,700,000
Increase in investments in subsidiaries		**–**	–	**(3,693,734)**	(8,149,419)
Interest income from fixed deposits		**190,816**	233,893	**5,853**	16,643
Interest income from advances to a subsidiary		**–**	–	**406,322**	–
Proceeds from disposal of property, plant and equipment		**113,327**	19,686	**–**	–
Net cash (used in) / from investing activities		**(12,764,669)**	(17,118,256)	**21,118,441**	3,567,222

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Cash flows from financing activities					
Dividends paid to owners of the Company		**(1,680,000)**	–	**(1,680,000)**	–
Drawdown / (Repayment) of term loans		**5,483,203**	(989,609)	**–**	–
Repayment of finance lease liability		**(77,887)**	(5,900)	**–**	–
Interest paid on finance lease liability		**(4,737)**	(1,180)	**–**	–
Interest paid on term loans		**(367,459)**	(150,390)	**–**	–
Net cash from / (used in) financing activities		**3,353,120**	(1,147,079)	**(1,680,000)**	–
Net increase / (decrease) in cash and cash equivalents		**7,120,937**	(2,866,465)	**(1,024,886)**	1,048,473
Effect of exchange rate fluctuations on cash held		**(22,775)**	548,437	**–**	–
Cash and cash equivalents at beginning of year		**9,528,745**	11,846,773	**1,116,095**	67,622
Cash and cash equivalents at end of year	(ii)	**16,626,907**	9,528,745	**91,209**	1,116,095

(i) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM12,114,176 (2008 - RM17,371,835), of which RM270,000 (2008 - Nil) were acquired by means of finance leases.

(ii) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheets amounts:

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Deposits placed with licensed banks	11	**4,908,875**	5,095,989	**17,922**	1,096,033
Cash and bank balances	11	**11,718,032**	4,432,756	**73,287**	20,062
		16,626,907	9,528,745	**91,209**	1,116,095

The notes on pages 41 to 70 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Kawan Food Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office are as follows:

PRINCIPAL PLACE OF BUSINESS
Lot 20, Jalan Pengapit 15/19
40200 Shah Alam
Selangor Darul Ehsan
Malaysia

REGISTERED OFFICE
Unit 07-02, Level 7, Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan
Malaysia

The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2009 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 6 to the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 April 2010.

1. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009

- FRS 8, Operating Segments

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, Insurance Contracts
- FRS 7, Financial Instruments: Disclosures
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 7, Financial Instruments: Disclosures
- Amendments to FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010 (Continued)

- Amendments to FRS 132, Financial Instruments: Presentation
  - Puttable Financial Instruments and Obligations Arising on Liquidation
  - Separation of Compound Instruments
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
  - Reclassification of Financial Assets
  - Collective Assessment of Impairment for Banking Institutions
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- 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 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distribution of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, except for FRS 4, Amendments to FRS 2, IC Interpretation 11, IC Interpretation 13 and IC Interpretation 14 which are not applicable to the Group or the Company; and

- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011 except for Amendments to FRS 2, IC Interpretation 12 and IC Interpretation 15 which are not applicable to the Group or the Company.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

Material impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

(i) FRS 8, Operating Segments

FRS 8 replaces FRS 1142004, Segment Reporting and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see Note 22).

(ii) Improvements to FRSs (2009)

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes which will become effective for the Group and the Company's financial statements for the year ending 31 December 2010. Amendments that have material impact are:

- **FRS 117, Leases**
  The amendments clarify that the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

  This change in accounting policy will result in reclassification of the Group's entire lease of land as at 31 December 2010 from prepaid lease payments to property, plant and equipment.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM unless otherwise stated.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with FRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 8 - measurement of the recoverable amounts of cash-generating units

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is held for sale.

(ii) Minority interests

Minority interests at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the owners of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statements.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM are translated to RM at exchange rates at the balance sheet date. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

(c) Property, plant and equipment

(i) Recognition and measurement

Freehold land and capital work-in-progress are stated at cost. All other items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Apartments	50 years
Motor vehicles	5 years
Furniture, fittings and office equipment	5 to 10 years
Plant and machineries	10 years
Renovation	10 years
Signage	10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the balance sheet date.

(d) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statements.

Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

Leases where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group or the Company's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments, except for leasehold land classified as investment properties, are amortised over the lease term, which ranges from 50 to 95 years in accordance with the pattern of benefits provided.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(f) Investment property

(i) Investment properties carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in the income statements in the period in which the item is derecognised.

Depreciation is charged to the income statements on a straight-line basis over the estimated useful lives of 50 years for buildings.

(ii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Receivables

Receivables are initially recognised at their costs when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks which have an insignificant risk of changes in value.

(j) Impairment

The carrying amounts of assets except for financial assets, inventories and deferred tax assets, are reviewed at the balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(l) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

(m) Employee benefits

Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the Employees Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible returns of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Dividend income

Dividend income is recognised in the income statements when the right to receive payment is established.

(iii) Rental income

Rental income is recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in the income statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Borrowing costs

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheets and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earnings per ordinary share

The Group presents basic earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Notes	Freehold land RM	Capital work-in-progress RM	Buildings RM	Apartments RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Plant and machineries RM	Renovation RM	Signage RM	Total RM
Cost											
At 1 January 2008		78,000	4,329,899	7,592,821	919,802	1,308,755	1,794,643	20,991,703	624,544	22,300	37,662,467
Effect on movements in exchange rate		–	1,976,795	–	49,672	13,234	5,330	–	–	–	2,045,031
Additions		–	14,270,132	–	12,804	3,979	155,996	2,722,069	206,855	–	17,371,835
Disposals		–	–	–	–	(51,334)	(1,680)	(4,243)	–	–	(57,257)
At 31 December 2008 / 1 January 2009		78,000	20,576,826	7,592,821	982,278	1,274,634	1,954,289	23,709,529	831,399	22,300	57,022,076
Effect on movements in exchange rate		–	(276,720)	–	(5,963)	(1,564)	(880)	–	–	–	(285,127)
Additions		–	4,014,582	359,109	–	392,334	1,804,721	2,015,511	3,510,419	17,500	12,114,176
Transfer		–	(17,014,165)	11,189,856	522,466	135,205	521,967	4,644,671	–	–	–
Disposals		–	–	–	–	(63,041)	–	(37,184)	–	–	(100,225)
At 31 December 2009		78,000	7,300,523	19,141,786	1,498,781	1,737,568	4,280,097	30,332,527	4,341,818	39,800	68,750,900
Depreciation											
At 1 January 2008		–	–	388,089	46,973	47,078	708,221	5,622,493	82,991	4,935	6,900,780
Effect on movements in exchange rate		–	–	–	2,343	201	275	–	–	–	2,819
Depreciation for the year	16	–	–	163,488	43,403	104,942	266,948	2,778,368	71,502	2,230	3,430,881
Disposals		–	–	–	–	(51,332)	(868)	(579)	–	–	(52,779)
At 31 December 2008 / 1 January 2009		–	–	551,577	92,719	100,889	974,576	8,400,282	154,493	7,165	10,281,701
Effect on movements in exchange rate		–	–	–	(693)	(305)	(133)	–	–	–	(1,131)
Depreciation for the year	16	–	–	163,489	(19,130)	184,546	447,110	2,720,678	280,131	3,397	3,780,221
Disposals		–	–	–	–	(28,367)	–	(23,384)	–	–	(51,751)
At 31 December 2009		–	–	715,066	72,896	256,763	1,421,553	11,097,576	434,624	10,562	14,009,040
Carrying amounts											
At 1 January 2008		78,000	4,329,899	7,204,732	872,829	1,261,677	1,086,422	15,369,210	541,553	17,365	30,761,687
At 31 December 2008 / 1 January 2009		78,000	20,576,826	7,041,244	889,559	1,173,745	979,713	15,309,247	676,906	15,135	46,740,375
At 31 December 2009		78,000	7,300,523	18,426,720	1,425,885	1,480,805	2,858,544	19,234,951	3,907,194	29,238	54,741,860

Security

Buildings with carrying amount of RM6,617,472 (2008 - RM1,968,364) are assigned to licensed banks for banking facilities granted to a subsidiary (see Note 13).

Leased motor vehicles

The net carrying amount of leased motor vehicles is RM320,000 (2008 - RM40,976).

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

4. PREPAID LEASE PAYMENTS

Group	Unexpired period less than 50 years RM	Unexpired period more than 50 years RM	Total RM
Cost			
At 1 January 2008	1,803,540	9,068,659	10,872,199
Effect on movements in exchange rate	218,780	–	218,780
At 31 December 2008 / 1 January 2009	2,022,320	9,068,659	11,090,979
Effect on movements in exchange rate	(25,856)	–	(25,856)
Addition	1,224,636	–	1,224,636
At 31 December 2009	3,221,100	9,068,659	12,289,759
Amortisation			
At 1 January 2008	36,071	222,706	258,777
Effect on movements in exchange rate	4,376	–	4,376
Amortisation for the year	40,446	108,551	148,997
At 31 December 2008 / 1 January 2009	80,893	331,257	412,150
Effect on movements in exchange rate	(1,034)	–	(1,034)
Amortisation for the year	113,407	108,549	221,956
At 31 December 2009	193,266	439,806	633,072
Carrying amounts			
At 1 January 2008	1,767,469	8,845,953	10,613,422
At 31 December 2008 / 1 January 2009	1,941,427	8,737,402	10,678,829
At 31 December 2009	3,027,834	8,628,853	11,656,687

As at 31 December 2009, leasehold lands of the Group with aggregate carrying amounts of RM7,562,251 (2008 - RM5,875,127) and RM1,066,602 (2008 - 1,079,363), respectively, have been assigned to licensed banks for banking facilities (see Note 13) and foreign exchange contract facilities (see Note 25) granted to a subsidiary.

5. INVESTMENT PROPERTY

Group	Note	RM
Cost		
At 1 January 2008 / 31 December 2008 / 31 December 2009		1,034,173
Depreciation		
At 1 January 2008		58,824
Depreciation for the year	16	22,771
At 31 December 2008 / 1 January 2009		81,595
Depreciation for the year	16	22,771
At 31 December 2009		104,366
Carrying amounts		
At 1 January 2008		975,349
At 31 December 2008 / 1 January 2009		952,578
At 31 December 2009		929,807
Fair values		
At 1 January 2008 / 31 December 2008 / 31 December 2009		1,500,000

Investment property comprises one commercial property that is leased to a third party. The lease is renewable on a yearly basis. No contingent rents are charged.

As at 31 December 2009, investment property with a carrying amount of RM929,807 (2008 - 952,578) has been assigned to a licensed bank for foreign exchange contract facilities granted to a subsidiary (see Note 25).

Estimation uncertainty and assumptions

The Group estimates the fair value of its investment property based on the following key assumptions:

- the comparison of the Group's investment property with similar properties that were listed for sale within the same locality or other comparable localities; or
- enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

The following are recognised in the income statements in respect of investment properties:

	Group	
	2009 RM	2008 RM
Rental income	**103,483**	239,000
Direct operating expenses:		
- income generating investment properties	**(36,923)**	(36,928)
	66,560	202,072

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. INVESTMENTS IN SUBSIDIARIES

	Group	
	2009 RM	2008 RM
Unquoted shares, at cost	**35,095,616**	52,051,882

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2009	2008
Kawan Food Manufacturing Sdn. Bhd.	Malaysia	Manufacturing and sale of frozen food products	**100%**	100%
KG Pastry Marketing Sdn. Bhd.	Malaysia	Trading and distribution of frozen food products	**100%**	100%
Kawan Food (Nantong) Co., Ltd.*+	China	Manufacturing and sale of frozen food products	**100%**	100%
Kayangan Manisan (M) Sdn. Bhd.	Malaysia	Manufacturing and sale of food products	**51%**	51%
Kawan Food Confectionary Sdn. Bhd.	Malaysia	Dormant	**100%**	100%
Kawan Food (Hong Kong) Limited*	Hong Kong	Trading and distribution of frozen food products	**100%**	100%

* Not audited by KPMG.
\+ Interest held through Kawan Food (Hong Kong) Limited following internal reorganisation during the year.

7. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2009 RM**	**2008 RM**	**2009 RM**	**2008 RM**	**2009 RM**	**2008 RM**
Property, plant and equipment	**–**	(1,086)	**2,826,302**	2,710,000	**2,826,302**	2,708,914
Inventories	**(88,042)**	(12,706)	**–**	–	**(88,042)**	(12,706)
Provisions	**(887,084)**	(57,000)	**–**	–	**(887,084)**	(57,000)
Tax loss carry-forwards	**(6,000)**	(7,420)	**–**	–	**(6,000)**	(7,420)
Other items	**(9,574)**	(47,000)	**–**	–	**(9,574)**	(47,000)
Deferred tax (assets) / liabilities	**(990,700)**	(125,212)	**2,826,302**	2,710,000	**1,835,602**	2,584,788
Set off	**890,657**	104,000	**(890,657)**	(104,000)	**–**	–
Net deferred tax (assets) / liabilities	**(100,043)**	(21,212)	**1,935,645**	2,606,000	**1,835,602**	2,584,788

Movement in temporary differences during the year

Group	**At 1.1.2008 RM**	**Recognised in income statements (Note 19) RM**	**At 31.12.2008 RM**	**Recognised in income statements (Note 19) RM**	**At 31.12.2009 RM**
Property, plant and equipment	2,796,000	(87,086)	2,708,914	117,388	**2,826,302**
Inventories	(8,222)	(4,484)	(12,706)	(75,336)	**(88,042)**
Provisions	(28,000)	(29,000)	(57,000)	(830,084)	**(887,084)**
Tax loss carry-forwards	(6,000)	(1,420)	(7,420)	1,420	**(6,000)**
Other items	(97,000)	50,000	(47,000)	37,426	**(9,574)**
	2,656,778	(71,990)	2,584,788	(749,186)	**1,835,602**

8. GOODWILL

Cost	Group RM
At 1 January 2008 / 31 December 2008 / 31 December 2009	204,230
Carrying amounts	
At 1 January 2008 / 31 December 2008 / 31 December 2009	204,230

Estimation uncertainty and assumptions

For the purpose of impairment testing, goodwill is allocated to business activities of a subsidiary, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount for the above was based on its value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets covering a five-year period and were based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5-year projection.
- Revenue was projected at an anticipated annual revenue growth of 5% (2008 - 7%) per annum for 5 years.
- Administrative and other operating expenses were projected at an anticipated annual increase of 5% (2008 - 10%).
- A discount rate of 11.15% (2008 - 10.36%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's existing rate of borrowings.

The value assigned to the key assumptions represents management's assessment of future trends in the industry.

9. INVENTORIES

	Group	
At cost	2009 RM	2008 RM
Raw materials	**962,748**	534,769
Packaging materials	**1,707,429**	1,517,405
Finished goods	**2,905,324**	1,244,199
	5,575,501	3,296,373

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Trade					
Trade receivables	10.1	**16,629,345**	14,510,417	**–**	–
Less: Allowance for doubtful debts		**(206,336)**	(145,406)	**–**	–
		16,423,009	14,365,011	**–**	–
Non-trade					
Other receivables, deposits and prepayments	10.2	**1,574,453**	2,373,538	**48,550**	48,550
Less: Allowance for doubtful debts		**(120,000)**	(80,000)	**–**	–
		1,454,453	2,293,538	**48,550**	48,550
Amount due from subsidiaries	10.3	**–**	–	**29,702,894**	9,182,525
		17,877,462	16,658,549	**29,751,444**	9,231,075

Note 10.1

Credit terms of trade receivables ranges from 30 - 90 days (2008: 30 - 90 days).

Included in trade receivables of the Group is an amount of RM294,635 (2008 - RM247,187) due from companies in which certain Directors have interests.

Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows:

		Group 2009 RM	Group 2008 RM
Functional currency	**Foreign currency**		
RM	SGD	**985,879**	482,898
RM	USD	**7,410,074**	6,355,908

Note 10.2

Included in other receivables, deposits and prepayments of the Group is an amount of RM453,173 (2008 - RM632,584) being deposit paid for the acquisition of plant and machineries.

Note 10.3

Amount due from subsidiaries is non-trade in nature, unsecured, interest free and has no fixed terms of repayment except for an amount of RM8,972,572 (2008 - Nil) which bears interest rate of 5% per annum.

11. CASH AND CASH EQUIVALENTS

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Cash and bank balances	**11,718,032**	4,432,756	**73,287**	20,062
Deposits placed with licensed banks	**4,908,875**	5,095,989	**17,922**	1,096,033
	16,626,907	9,528,745	**91,209**	1,116,095

Deposits placed with licensed banks of the Group and of the Company comprise placements in fixed income trusts of which RM1,716,104 (2008 - RM3,047,958) and RM12,431 (2008 - RM1,090,677) respectively are redeemable at call whereas RM3,192,771 (2008 - RM2,048,031) and RM5,491 (2008 - RM5,356) respectively are redeemable upon 7 days notice.

12. CAPITAL AND RESERVES

	Group and Company 2009 Number of shares	2009 Amount RM	2008 Number of shares	2008 Amount RM
Authorised:				
Ordinary shares of RM0.50 each	**200,000,000**	**100,000,000**	200,000,000	100,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each				
At 1 January	**120,000,000**	**60,000,000**	80,000,000	40,000,000
Bonus issue	**–**	**–**	40,000,000	20,000,000
At 31 December	**120,000,000**	**60,000,000**	120,000,000	60,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

12. CAPITAL AND RESERVES (CONTINUED)

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2009 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

13. LOANS AND BORROWINGS (SECURED)

	Group	
	2009 RM	**2008 RM**
Non-current		
Term loans	**5,914,301**	1,301,840
Finance lease liability	**78,737**	15,733
	5,993,038	1,317,573
Current		
Term loans	**1,913,571**	1,042,829
Finance lease liability	**135,009**	5,900
	2,048,580	1,048,729

Terms and debts repayment schedule

The Group's term loans are repayable in monthly equal installments over a period of 5 and 8 years (2008 - 5 years) respectively.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

13. LOANS AND BORROWINGS (SECURED) (CONTINUED)

2009	Year of maturity	Total	Less than 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
Secured term loans						
- fixed at 5.20% per annum	2011	**1,305,504**	**1,098,170**	**207,334**	**–**	**–**
- floating at 3.90% per annum	2016	**6,522,368**	**815,401**	**847,653**	**2,750,107**	**2,109,207**
		7,827,872	**1,913,571**	**1,054,987**	**2,750,107**	**2,109,207**
2008						
Secured term loans						
- fixed at 5.20% per annum	2011	2,344,669	1,042,829	1,098,170	203,670	–

Finance lease liability

Finance lease liability is payable as follows:

Group	Minimum lease payments 2009 RM	Interest 2009 RM	Principal 2009 RM	Minimum lease payments 2008 RM	Interest 2008 RM	Principal 2008 RM
Less than one year	**143,784**	**8,775**	**135,009**	7,080	1,180	5,900
Between one and five years	**83,856**	**5,119**	**78,737**	18,880	3,147	15,733
	227,640	**13,894**	**213,746**	25,960	4,327	21,633

Security

The Group's term loans are secured over leasehold land and buildings of a subsidiary (see Notes 3 and 4).

Significant covenants

The term loans are subject to the fulfillment of the following significant covenants by a subsidiary:

i) not to enter into any transaction with any person, firm or company except in the ordinary course of business;

ii) not to add, delete, vary or amend the Memorandum and Articles of Association in any manner which would be inconsistent with the provisions of the deed;

iii) not to decrease the authorised or issued share capital; and

iv) not to make any repayment or prepayment of any existing or future borrowings by any corporation deemed to be related to the subsidiary under Section 6 of the Companies Act 1965.

14. PAYABLES AND ACCRUALS

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Trade					
Trade payables	14.1	**6,340,822**	5,130,501	**–**	–
Non-trade					
Other payables and accruals		**9,000,226**	6,453,818	**59,273**	90,960
Amount due to Directors	14.2	**296,389**	253,692	**231,750**	197,040
Amount due to subsidiaries	14.3	**–**	–	**659,193**	–
		15,637,437	11,838,011	**950,216**	288,000

Note 14.1

(i) Credit terms of trade payables range from 30 - 60 days (2008: 30 - 60 days).

(ii) Included in trade payables of the Group is an amount of RM200,375 (2008 - RM141,813) due to a company in which certain Directors have interests.

Note 14.2

The amount due to Directors is non-trade in nature, unsecured, interest free and has no fixed terms of repayment.

Note 14.3

The amount due to subsidiaries is non-trade in nature, unsecured, interest free and has no fixed terms of repayment.

15. REVENUE

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Revenue				
- Sale of goods	**87,634,892**	75,224,981	**–**	–
- Dividend income	**–**	–	**5,000,000**	13,000,000
	87,634,892	75,224,981	**5,000,000**	13,000,000

16. PROFIT BEFORE TAX

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Profit before tax is arrived at after crediting:					
Gain on disposal of property, plant and equipment		**64,853**	15,208	**–**	–
Interest income from fixed deposits		**190,816**	233,893	**412,175**	16,643
Rental income on premises		**145,484**	281,000	**–**	–
Realised foreign exchange gain		**–**	730,731	**–**	–
Reimbursement from government for acquisition of land		**1,224,636**	–	**–**	–
and after charging:					
Allowance for doubtful debts		**100,930**	116,640	**–**	–
Amortisation of prepaid lease payments	4	**221,956**	148,997	**–**	–
Auditors' remuneration:					
- Statutory audit KPMG		**100,500**	67,233	**53,000**	18,004
Other auditors		**51,348**	–	**–**	–
- Other services KPMG		**8,000**	8,000	**8,000**	8,000
Depreciation of investment property	5	**22,771**	22,771	**–**	–
Depreciation of property, plant and equipment	3	**3,780,221**	3,430,881	**–**	–
Inventories written off		**362,683**	199,631	**–**	–
Bad debts written off		**95**	–	**–**	–
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		**623,574**	582,870	**–**	–
- Wages, salaries and others		**8,245,649**	7,827,542	**–**	–
Realised foreign exchange loss		**186,187**	76,912	**–**	–
Rental of coldroom		**29,993**	49,960	**–**	–
Rental of equipment		**43,449**	51,312	**–**	–
Rental of factory		**23,780**	19,254	**–**	–
Rental of hostel		**32,200**	36,600	**–**	–
Unrealised foreign exchange loss		**599,306**	323,067	**127,686**	150,500

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follow:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Directors:				
- Fees	**282,710**	218,540	**282,710**	218,540
- Other emoluments	**1,194,909**	972,390	**–**	–
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	**35,025**	31,900	**–**	–
	1,512,644	1,222,830	**282,710**	218,540
Other key management personnel:				
- Short term employee benefits	**1,627,392**	1,827,864	**–**	–
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	**16,500**	16,500	**–**	–
	1,643,892	1,844,364	**–**	–

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

18. FINANCE COSTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Interest paid and payable on:				
Bank interest	**–**	4,892	**–**	–
Finance lease liability	**4,737**	1,180	**–**	–
Term loan	**367,459**	150,390	**–**	–
	372,196	156,462	**–**	–
Other bank charges	**198,278**	134,128	**1,695**	2,217
	570,474	290,590	**1,695**	2,217

19. INCOME TAX EXPENSE

Recognised in the income statements

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Current tax expense				
Malaysian - current year	**4,138,044**	2,739,959	**1,232,419**	1,222,104
- prior year	**460,341**	(42,339)	**–**	(89,090)
Overseas - current year	**336,230**	–	**–**	–
Total current tax expense	**4,934,615**	2,697,620	**1,232,419**	1,133,014
Deferred tax expense				
- Origination and reversal of temporary differences	**(226,158)**	(118,094)	**–**	–
- Prior year	**(523,028)**	81,762	**–**	–
- Effect of change in tax rate	**–**	(35,658)	**–**	–
Total deferred tax expense	**(749,186)**	(71,990)	**–**	–
Total income tax expense	**4,185,429**	2,625,630	**1,232,419**	1,133,014

Reconciliation of effective tax expense

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Profit before tax	**17,748,956**	12,101,697	**4,789,587**	12,304,092
Income tax calculated using Malaysian tax rate of 25% (2008 - 26%)	**4,437,239**	3,146,441	**1,197,397**	3,199,064
Effect of tax rate in foreign jurisdiction	**(174,013)**	–	**–**	–
Effect of changes in tax rate*	**–**	(35,658)	**–**	–
Non-deductible expenses	**453,013**	399,148	**35,022**	107,367
Tax exempt income	**(45,418)**	(57,279)	**–**	(2,084,327)
Tax incentives	**(288,449)**	(481,030)	**–**	–
Double deduction on qualifying expenditures	**(134,256)**	(381,468)	**–**	–
Other items	**–**	(3,947)	**–**	–
	4,248,116	2,586,207	**1,232,419**	1,222,104
Under / (Over) provision in prior year				
- current tax expense	**460,341**	(42,339)	**–**	(89,090)
- deferred tax expense	**(523,028)**	81,762	**–**	–
	4,185,429	2,625,630	**1,232,419**	1,133,014

* The corporate tax rates are 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

20. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 31 December 2009 was based on the profit attributable to ordinary shareholders of RM13,575,341 (2008 - RM9,491,233) and a weighted average number of ordinary shares outstanding of 120,000,000 (2008 - 120,000,000).

21. DIVIDENDS

After the balance sheet date, the Company has declared an interim tax exempt dividend of 1.4 sen per ordinary share totalling RM1,680,000 on 15 March 2010 in respect of the financial year ended 31 December 2010 which is payable on 30 April 2010. This dividend will be recognised in the financial year ending 31 December 2010.

	Sen per share (net of tax)	Total amount RM	Date of payment
2009			
Interim 2008 ordinary - tax exempt	1.4	1,680,000	30 April 2009

22. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-earning assets and related revenue, corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and prepaid lease payments.

Inter-segment pricing is determined on an arm's length basis.

Business segments

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

Business segmental information has therefore 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

The manufacturing of frozen food products is carried out solely in Malaysia. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers while segment assets are based on the geographical location of assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. SEGMENT REPORTING (CONTINUED)

2009	Malaysia RM	Rest of Asia RM	Europe RM	North America RM	Oceania RM	Africa RM	Consolidated RM
Revenue from external customers by location of customers	**34,578,663**	**12,499,179**	**11,117,317**	**22,875,953**	**6,444,296**	**119,484**	**87,634,892**
Segment assets by location of assets	**68,859,667**	**40,210,133**	**–**	**–**	**–**	**–**	**109,069,800**
Capital expenditure by location of assets	**7,374,550**	**5,964,262**	**–**	**–**	**–**	**–**	**13,338,812**
2008							
Revenue from external customers by location of customers	31,573,586	11,119,353	9,528,776	18,553,720	4,429,731	19,815	75,224,981
Segment assets by location of assets	64,320,680	25,556,926	–	–	–	–	89,877,606
Capital expenditure by location of assets	3,064,560	14,307,275	–	–	–	–	17,371,835

23. CAPITAL COMMITMENTS

	Group 2009 RM	Group 2008 RM
Property, plant and equipment		
Contracted but not provided for in the financial statements	**967,000**	6,197,627

24. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

	Amount transacted for the year ended 31 December		Net balance outstanding as at 31 December	
Company	**2009 RM**	**2008 RM**	**2009 RM**	**2008 RM**
Transactions with subsidiaries:				
Kawan Food Manufacturing Sdn. Bhd.				
Advances payable	**3,295,413**	13,890,861	**(659,193)**	–
Dividend receivable	**(5,000,000)**	(10,700,000)	**–**	2,636,219
KG Pastry Marketing Sdn. Bhd.				
Advances payable	**–**	1,000	**–**	–
Dividend receivable	**–**	(1,000,000)	**–**	999,000
Kawan Food (Nantong) Co., Ltd.				
Advances receivable	**(3,424,572)**	(5,548,000)	**8,972,572**	5,548,000
Kawan Food (Hong Kong) Ltd.				
Advances receivable	**(20,730,322)**	–	**20,730,322**	–
Group				
Transactions with a company in which Gan Thiam Chai, a Director of the Company has interests:				
Hot & Roll Sdn Bhd				
Sales	**(224,211)**	(13,975)	**21,338**	1,756
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	**(621,859)**	(532,998)	**273,297**	245,431
Purchases	**833,109**	382,200	**(200,375)**	(141,813)

All of the above outstanding balances are expected to be settled in cash by/to the related parties. No allowance for doubtful debts has been provided for the balances.

25. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's informal financial risk management policy seeks to address risks arising from the Group's business in managing its foreign currency, credit, liquidity and interest rate risk. The Group operates within the procedures and policies in respect of the major areas of treasury activity as follows:

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in foreign currencies. It manages its foreign currency exposure by a policy of matching as far as possible receipts and payments in each individual currency.

The Group's foreign currency transactions are predominantly denominated in US Dollar. The Group's exposure to foreign currency risk is monitored on an ongoing basis. The Group enters into foreign currency contracts in the normal course of business, where appropriate, to manage its exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies.

Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting arises mainly from cash deposits and receivables. The maximum exposure to credit risk is represented by the total carrying amount of these financial assets in the balance sheet, reduced by the effects of any netting arrangements with counterparties.

The Group manages its exposure to credit risk by investing its cash assets prudently. As at balance sheet date, a significant concentration of credit risk arises in respect of debts owing from 5 (2008 - 5) major customers amounting to RM7,195,374 (2008 - RM6,365,499). The Directors closely monitors the Group's credit risk exposure to these major customers.

Liquidity risk

The Group's exposure to liquidity risk arises mainly from general funding and business activities.

The Group practises prudent liquidity risk management by maintaining sufficient cash balances and availability of funding through certain committed credit facilities.

Interest rate risk

The Group's exposure to interest rate risk mainly arises from its short term funds, fixed deposits and borrowings and is managed through effective negotiation with financial institutions for best available rates.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Effective interest rates and repricing analysis (continued)

Group	Average effective interest rate %	Less than 1 year RM	1-2 years RM	2-5 years RM	Total RM
2009					
Financial assets					
Deposits placed with licensed banks	2.02	**4,908,875**	**–**	**–**	**4,908,875**
Financial liabilities					
Secured term loans	4.12	**7,620,538**	**207,334**	**–**	**7,827,872**
Finance lease liability	3.25	**135,009**	**78,737**	**–**	**213,746**
Group					
2008					
Financial assets					
Deposits placed with licensed banks	2.71	5,095,989	–	–	5,095,989
Financial liabilities					
Secured term loans	5.20	1,042,829	1,098,170	203,670	2,344,669
Finance lease liability	4.00	5,900	5,900	9,833	21,633
Company					
2009					
Financial assets					
Deposits placed with licensed banks	2.40	**17,922**	**–**	**–**	**17,922**
Amount due from a subsidiary (interest bearing)	5.00	**8,972,572**	**–**	**–**	**8,972,572**
2008					
Financial assets					
Deposits placed with licensed banks	2.45	1,096,033	–	–	1,096,033

25. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of unrecognised financial instruments

In respect of cash and cash equivalents, receivables, deposits and prepayments, payables and accruals and finance lease liability of the Group and of the Company, the fair values approximate their carrying amounts due to the relatively short-term nature of these financial instruments.

The fair value of secured term loan, together with the carrying amount shown in the balance sheets, is as follows:

	2009		2008	
Group	**Carrying amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Secured term loans	**7,827,872**	**7,417,161**	2,344,669	2,302,693

The notional amount and net fair value payable for financial instruments not recognised in the balance sheet of the Group as at end of the financial year, is as follows:

2009	**Currency**	**Notional amount RM**	**Net fair value RM**
Foreign exchange forward contracts	USD	**17,029,480**	**239,630**

2008	**Currency**	**Notional amount RM**	**Net fair value RM**
Foreign exchange forward contracts	USD	5,999,820	(241,680)

26. BUSINESS COMBINATIONS

26.1 Business combinations involving entities under common control

In December of 2009, the Company undertook an internal reorganisation and disposed of the entire interest in shares of Kawan Food (Nantong) Co., Ltd. ("KFN"), a wholly-owned subsidiary of the Company, to Kawan Food (Hong Kong) Limited ("KFHK"), another wholly-owned subsidiary of the Company, for a total cash consideration of USD6,050,000 (approximately RM20,650,000), thereby resulting in KFN becoming a wholly-owned subsidiary of KFHK.

26.2 Prior year acquisition

On 11 March 2008, the Company entered into a Sale and Purchase Agreement with the owners of Kawan Food Confectionery Sdn. Bhd. ("KFC"), Mr Gan Thiam Chai and Mr Gan Thiam Hock, who are also Directors of the Company, to acquire 2 ordinary shares of RM1.00 each, representing 100% equity interests in KFC for a total cash consideration of RM2.00. Subsequent to the acquisition, KFC became a wholly-owned subsidiary of the Company. As KFC was dormant in the previous year, the acquisition had no material impact on the earnings and net assets of the Group for the year ended 31 December 2008.

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 36 to 70 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

GAN THIAM CHAI

KWAN SOK KAY

Kuala Lumpur,

Date: 28 April 2010

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Teoh Soon Tek**, the officer primarily responsible for the financial management of Kawan Food Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 70 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 28 April 2010.

TEOH SOON TEK

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KAWAN FOOD BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kawan Food Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 70.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KAWAN FOOD BERHAD
(CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

CHIN SHOON CHONG
Approval Number: 2823/04/11(J)
Chartered Accountant

Petaling Jaya,

Date: 28 April 2010

LIST OF PROPERTIES

Location / Title details	Description / Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area / of Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
* Held under H.S. (D) No. 98527, Bandar Shah Alam, Daerah Petaling, Negeri Selangor, with address at Lot 20, Jalan Pengapit 15/19, 40000 Shah Alam, Selangor Darul Ehsan	A double storey factory for manufacturing activities with cold storage facilities, and a double storey office attached	Leasehold interest for a term of 99 years expiring on 6 August 2074	30 years	28 May 2004	7,337.24 sq. metres / 6,417.91 sq. metres	23 May 2007	6,446,527
** Held under PTD No. 59709 H.S. (D) 207237 Mukim of Tebrau, Negeri Johor with address at No.52, Jalan Mutiara Emas 5/12, Taman Mount Austin, 81100 Johor Bahru	A one and a half storey terrace factory with cold storage facilities, and an office annexed	Freehold	11 years	31 May 2005	289.86 sq. metres / 254 sq. metres	2 November 1998	338,283
* Held under H.S. (D) 98490, P.T. No. .617, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 4, Jalan Lada Hitam 16/12A, 40000 Shah Alam, Selangor Darul Ehsan	A single storey factory with an office annexed	Leasehold interest for a term of 99 years expiring on 20 July 2094	20 years	28 June 1999	4,484 sq. metres / 3,149.43 sq. metres	24 September 1990	1,996,410
* Held under H.S. (D) 98500 for P.T. No. 714, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 2A, Persiaran Kemajuan, Seksyen 16, 40000 Shah Alam, Selangor Darul Ehsan	A single storey factory with cold storage facilities; and a single storey office attached	Leasehold interest for a term of 99 years expiring on 20 July 2094	20 years	25 May 2005	21,796 sq. metres / 3,584.91 sq. metres	7 May 1990	7,733,195
* Parcel No. 2F-41C with address at 41C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56067 PT 59174 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	10 years	16 May 2003	67.85 sq. metres	27 March 2003	56,319

LIST OF PROPERTIES
(CONTINUED)

Location / Title details	Description / Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area / of Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
* Parcel No. 2B-41D with address at 41D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56067 PT 59174 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	10 years	29 July 2003	67.85 sq. metres	27 March 2003	52,397
* Parcel No. 2F-31C with address at 31C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56062 PT 59169 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	10 years	16 May 2003	67.85 sq. metres	27 March 2003	56,319
* Parcel No. 2B-21D with address at 21D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56057 PT 59164 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	10 years	29 July 2003	67.85 sq. metres	27 March 2003	52,397
* Shop Apartment Parcel No. B3/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 67189 Lot No. P.T. No. 65634 in the Mukim Klang District of Klang State of Selangor	Shop apartment occupied as staff hostel	Freehold	9 years	21 February 2001	69.52 sq. metres	26 October 2004	49,850

LIST OF PROPERTIES
(CONTINUED)

Location / Title details	Description / Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area / of Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
* Shop Apartment Parcel No. B4/3F with address at 55-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 67190 Lot No. P.T. No. 65635 in the Mukim Klang District of Klang State of Selangor	Shop apartment occupied as staff Hostel	Freehold	9 years	21 February 2001	69.52 sq. metres	26 October 2004	49,850
* Shop Apartment Parcel No. D4/3F with address at 7-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 67206 Lot No. P.T. No. 65651 in the Mukim Klang District of Klang State of Selangor	Shop apartment occupied as staff hostel	Freehold	9 years	21 February 2001	69.52 sq. metres	26 October 2004	49,850
* Shop Apartment Parcel No. D3/3F with address at 5-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 67207 Lot No. P.T. No. 65652 in the Mukim Klang District of Klang State of Selangor	Shop apartment occupied as staff hostel	Freehold	9 years	21 February 2001	69.52 sq. metres	26 October 2004	49,850

LIST OF PROPERTIES
(CONTINUED)

Location / Title details	Description / Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area / of Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
* Shop Apartment Parcel No. D2/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 67208 Lot No. P.T. No. 65663 in the Mukim Klang District of Klang State of Selangor	Shop apartment occupied as staff hostel	Freehold	9 years	21 February 2001	69.52 sq. metres	26 October 2004	49,850
*** Industrial Land at 13, Kexing Road North, Nantong Economic & Technology Development Area ("NETDA"), China Held under Lot No. 03-10-(001)-338, Land Registry No. 35.45-92.10	A double storey factory for manufacturing activities with cold storage facilities; and a double storey office attached	Leasehold interest for a term of 50 years expiring on 25 December 2056	1 year	26 December 2006	40,773.90 sq. metres / 16,000 sq. metres	N/A	14,576,795
*** Apartment at Unit 306, Building No. 11, 107 Xinkai Road, NETDA, Jiangsu Province, 226009 China	Staff hostel and office	Leasehold interest for a term of 70 years expiring on 19 August 2074	4 years	19 January 2007	223.44 sq. metres	N/A	451,798
*** Apartment at Unit 2904 Building No. 9, Zhongnan Century City, Chongchuan District, Nantong, Jiangsu Province, 226009 China	Apartment	Leasehold interest for a term of 75 years expiring on 1 April 2075	1 year	30 December 2006	179.42 sq. metres	N/A	507,409

* Held under Kawan Food Manufacturing Sdn Bhd
** Held under KG Pastry Marketing Sdn Bhd
*** Held under Kawan Food (Nantong) Co., Ltd.

ANALYSIS OF SHAREHOLDINGS

(AS PER RECORD OF DEPOSITORS AS AT 30 APRIL 2010)

ORDINARY SHARES

Authorised Share Capital	:	RM100,000,000
Paid-up and Issued Share Capital	:	RM 60,000,000
Class of Share	:	Ordinary Share of RM0.50 each
Voting Rights	:	1 vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
Less than 100	19	1.63	620	0.00
100 – 1,000	662	56.88	120,290	0.10
1,001 – 10,000	310	26.63	1,376,900	1.15
10,001 – 100,000	126	10.82	4,135,896	3.44
100,001 to less than 5% of issued shares	43	3.70	27,246,300	22.71
5% and above of issued shares	4	0.34	87,119,994	72.60
Total	1,164	100.00	120,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders as at 30 April 2010)

	Direct Interest		Indirect Interest	
Name	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	39,960,000	33.30	–	–
2. Goshenite Limited	28,800,000	24.00	–	–
3. Gan Thiam Hock	10,080,000	8.40	–	–
4. Kwan Sok Kay	10,060,500	8.38	–	–
5. Nareshchandra Gordhandas Nagrecha	–	–	28,800,000*	24.00

Note:

* Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his shareholdings in Goshenite Limited.

DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings as at 30 April 2010)

	Direct Interest		Indirect Interest	
Name	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	39,960,000	33.30	–	–
2. Gan Thiam Hock	10,080,000	8.40	–	–
3. Kwan Sok Kay	10,060,500	8.38	–	–
4. Chen Seng Chong	225,000	0.19	–	–
5. Lim Peng @ Lim Pang Tun	150,000	0.13	–	–
6. Soo Yoke Mun	–	–	–	–
7. Jayendra Janardan Ved	–	–	–	–
8. Nareshchandra Gordhandas Nagrecha	–	–	28,800,000*	24.00

Note:

* Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his shareholdings in Goshenite Limited.

ANALYSIS OF SHAREHOLDINGS
(AS PER RECORD OF DEPOSITORS AS AT 30 APRIL 2010)
(CONTINUED)

THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 APRIL 2010
(Without aggregating the securities from different securities accounts belonging to same person)

No.	Name of Shareholders	No. of Ordinary Shares of RM0.50 each	% of Shares
1.	Gan Thiam Chai	39,959,994	33.30
2.	Goshenite Limited	28,800,000	24.00
3.	Gan Thiam Hock	10,080,000	8.40
4.	Kwan Sok Kay	8,280,000	6.90
5.	Niels John Madsen	4,009,500	3.34
6.	Mayban Securities Nominees (Asing) Sdn Bhd (Pledged Securities Account for Wu, Chung-Chen (Dealer 065))	2,000,000	1.67
7.	Kong Poh Ying	1,993,500	1.66
8.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Life Assurance Berhad (Prem Equity FD)	1,900,000	1.58
9.	Kwan Sok Kay	1,780,500	1.48
10.	Mayban Nominees (Tempatan) Sdn Bhd Etiqa Insurance Berhad (General Fund)	1,720,000	1.43
11.	Yap Sook Chen	1,075,200	0.90
12.	Mayban Securities Nominees (Asing) Sdn Bhd (Pledged Securities Account for Chen, Tsai-Tien (Dealer 023))	998,050	0.83
13.	Mayban Securities Nominees (Asing) Sdn Bhd (Pledged Securities Account for Shah Kamal Kant Zaverchand (Dealer 065))	772,350	0.64
14.	Kong Poh Kheng	739,050	0.62
15.	Cheong Chun Hooi	733,300	0.61
16.	Wu, Chia-Lung	719,850	0.60
17.	Wong, Chi-Fu	655,200	0.55
18.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Life Assurance Berhad (Growth Fund)	650,000	0.54
19.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Life Assurance Berhad (Balance Fund)	600,000	0.50
20.	Loh Ah Heng	565,000	0.47
21.	Lai Yew Weng	474,900	0.40
22.	Lim Seong Tin	474,000	0.40
23.	Lydia Claire Lim Lih Yueah	467,500	0.39
24.	Min Seng Realty Sdn Bhd	382,150	0.32
25.	Leong Kim Mooi	379,500	0.32
26.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Life Assurance Berhad (Dana Ekt Prima)	350,000	0.29
27.	Lim Chai Chang	330,000	0.28
28.	Chua Sook Ming	324,350	0.27
29.	Lorna Marie Koh	262,500	0.22
30.	Gan Thiam Chuan	225,000	0.19
	TOTAL	**111,701,394**	**93.08**

KAWAN FOOD BERHAD

FORM OF PROXY

Sixth Annual General Meeting

I/We (full name) ____

of (address) ____

being a member/members of KAWAN FOOD BERHAD hereby appoint (full name and IC No.) ____________________

____

of (address) ____ or

failing him/her, *the Chairman of the meeting as my/our Proxy(ies) to vote for me/us and on my/our behalf at the at the Sixth Annual General Meeting of the Company to be held at Garuda 1 & 2, Golf Club, Holiday Inn Kuala Lumpur Glenmarie, 1, Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Tuesday, 15 June 2010 at 2.00 p.m. and at any adjournment thereof.

RESOLUTIONS			**FOR**	**AGAINST**
ORDINARY BUSINESS				
1.	To approve the payment of Directors' fees for the year ended 31 December 2009.	Ordinary Resolution 1		
2.	To re-elect the following Directors who are retiring in accordance with Article 80 of the Company's Articles of Association:-			
	2.1 Mr. Lim Peng @ Lim Pang Tun	Ordinary Resolution 2		
	2.1 Mr. Gan Thiam Hock	Ordinary Resolution 3		
3.	To re-elect the following Directors who are retiring in accordance with Article 85 of the Company's Articles of Association:-			
	3.1 Mr. Nareshchandra Gordhandas Nagrecha	Ordinary Resolution 4		
	3.2 Mr. Jayendra Janardan Ved	Ordinary Resolution 5		
4.	To re-appoint Messrs KPMG as the Company's Auditors and to authorise the Board of Directors to fix their remuneration.	Ordinary Resolution 6		
SPECIAL BUSINESS				
5.	Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.	Ordinary Resolution 7		
6.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 8		
7.	Proposed Amendment to the Articles of Association of the Company.	Special Resolution		

Dated this ____________ day of ____________2010

NO. OF SHARES HELD

____

Signature / Common Seal of Shareholder(s)

[* Delete if not applicable]

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office at Strategy Corporate Secretariat Sdn Bhd, Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

PLEASE FOLD HERE

STAMP

The Company Secretary

KAWAN FOOD BERHAD (640445-V)

Unit 07-02, Level 7, Menara Luxor

6B Persiaran Tropicana

47410 Petaling Jaya, Selangor Darul Ehsan

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KAWAN FOOD BERHAD (640455-V)

Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia
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