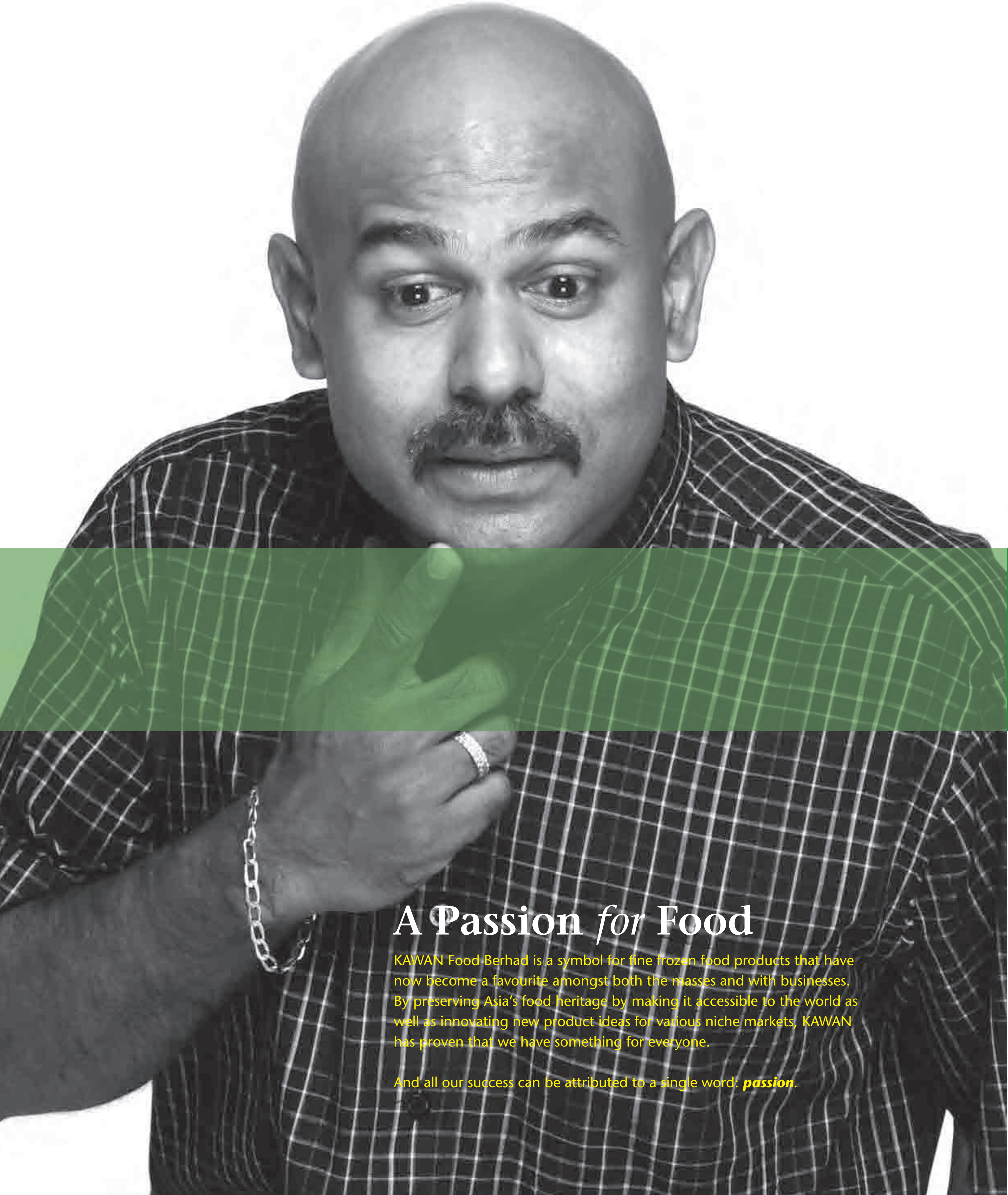
2011

A Passion *for* Success

KAWAN Food Berhad Annual Report

640445-V (Incorporated in Malaysia)



A Passion *for* Food

KAWAN Food Berhad is a symbol for fine frozen food products that have now become a favourite amongst both the masses and with businesses. By preserving Asia's food heritage by making it accessible to the world as well as innovating new product ideas for various niche markets, KAWAN has proven that we have something for everyone.

And all our success can be attributed to a single word: ***passion***.

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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

CHEN SENG CHONG
Member

SOO YOKE MUN
Member

REMUNERATION COMMITTEE

GAN THIAM HOCK
Chairman

LIM PENG @ LIM PANG TUN
Member

CHEN SENG CHONG
Member

NOMINATION COMMITTEE

CHEN SENG CHONG
Chairman

LIM PENG @ LIM PANG TUN
Member

NARESHCHANDRA GORDHANDAS NAGRECHA
Member

REGISTERED OFFICE

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

T +603 7804 5929
F +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

T +603-7841 8000
F +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

T +603-7721 3388
F +603-7721 3399

PRINCIPAL BANKERS

RHB BANK BERHAD
(Company No.: 6171-M)

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

MALAYAN BANKING BERHAD
(Company No. 3813-K)

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

STOCK EXCHANGE LISTING

MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD
Stock Short Name : KAWAN
Stock Code : 7216

WARRANTS

MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD
Stock Short Name : KAWAN-WA
Stock Code : 7216WA

WEBSITE

www.kawanfood.com

Notice *of* Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of KAWAN FOOD BERHAD (Company No.: 640445-V) will be held at Ivory II, Holiday Villa Subang, 9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Thursday, 31 May 2012 at 10.00 a.m. *for the following purposes:-*

AGENDA

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of Directors' fees for the financial year ended 31 December 2011. *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. Jayendra Janardan Ved	*Resolution 3*
3.3	Mr. Nareshchandra Gordhandas Nagrecha	*Resolution 4*

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

SPECIAL BUSINESS:-

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

Ordinary Resolution

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

"**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

6. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Shana Foods Limited, Rubicon Food Products Limited, K.C. Belight Food Industry (M) Sdn. Bhd. and Food Valley Sdn. Bhd. ("Proposed Renewal of Shareholders' Mandate")** *Resolution 7*

"**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 with Shana Foods Limited, Rubicon Food Products Limited, K.C. Belight Food Industry (M) Sdn. Bhd. and Food Valley

Notice *of* Annual General Meeting *continued*

Sdn. Bhd. as specified in Section 2.2(i) of the Circular to Shareholders dated 9 May 2012, 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.

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 Renewal of 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 Renewal of 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."

Ordinary Resolution

7. **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hot & Roll Sdn. Bhd. ("Proposed New 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 with Hot & Roll Sdn. Bhd. as specified in Section 2.2 (ii) of the Circular to Shareholders dated 9 May 2012, 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.

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 New of 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 New 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."

Notice *of* Annual General Meeting *continued*

Special Resolution

8. **Proposed Amendments to the Company's Articles of Association** *Resolution 9*

"**THAT** the proposed amendments to the Articles of Association of the Company as contained in Appendix I of the Annual Report 2011 ("Proposed Amendments") be and are hereby approved and adopted."

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.

BY ORDER OF THE BOARD

NG YIM KONG (LS0009297)
Company Secretary
Selangor Darul Ehsan
9 May 2012

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, Persoft Tower, 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.*

Explanatory Notes on Special Business

- ***Authority for Directors to Allot and Issue Shares***
  The Proposed Ordinary Resolution 6 under item 5 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 Seventh Annual General Meeting held on 20 June 2011. 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 Seventh Annual General Meeting because there were no investment(s), acquisition(s) or working capital that required fund raising activity.

- ***Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions***
  The Proposed Ordinary Resolution 7 under item 6 and 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 9 May 2012 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 New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, please refer to the Circular to Shareholders dated 9 May 2012 enclosed together with the Company's 2011 Annual Report.

- ***Proposed Amendments to the Company's Articles of Association***
  The proposed Special Resolution 9 under item 8 is to amend the Company's Articles of Association to be in line with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The details of the Proposed Amendments are as set out in Appendix I on page 110 of this Annual Report.

General Meeting Record of Depositors

For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 55(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 24 May 2012. Only a depositor whose name appears on the Record of Depositors as at 24 May 2012 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

Statement Accompanying Notice *of* Annual General Meeting

Details of the Directors who are standing for election or re-election at the Eighth Annual General Meeting of Kawan Food Berhad are set out on pages 10 and 11 of this Annual Report.

i Mr. Lim Peng @ Lim Pang Tun

ii Mr. Jayendra Janardan Ved

iii Mr. Nareshchandra Gordhandas Nagrecha

Chief Executive Officer's Profile

JON FANG NEE CHOONG
Chief Executive Officer

Jon Fang Nee Choong, aged 51, a Malaysian, is the Chief Executive Officer of Kawan Food Berhad. He was appointed to this position 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 (2) 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. He joined the Group in 2005 as General Manager before being appointed to his current position.

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.

Directors' Profile

GAN THIAM CHAI
Executive Chairman

Gan Thiam Chai ("T.C.Gan"), aged 58, a Malaysian, was appointed to the Board on 1 June 2005 and has been the Executive Chairman since 1 March 2010.

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 of Mdm. Kwan Sok Kay and the brother of Mr. Gan Thiam Hock. He has no conflict of interests with the Company except that he is a substantial shareholder of 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 2011.

GAN THIAM HOCK
Non-Independent Executive Director

Gan Thiam Hock ("T.H.Gan"), aged 49, a Malaysian, was appointed to the Board on 1 June 2005. He is also the Chairman of 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 of the Sales Director, a position he continues to hold 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 of Mr. T.C. Gan and the brother-in-law of Mdm. Kwan Sok Kay. He has no conflict of interests with the Company except that he is a substantial shareholder of 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 2011.

KWAN SOK KAY
Non-Independent Executive Director

Kwan Sok Kay, aged 56, a Malaysian, was appointed to the Board 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 KFM in 1984 as a Director, before holding the post of Finance Director in 1986.

Mdm. 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.

Mdm. Kwan is the wife of Mr. T.C. Gan and the sister-in-law of Mr. T.H. Gan. She has no conflict of interests with the Company except that she is a substantial shareholder of 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 2011.

Directors' Profile *continued*

CHEN SENG CHONG
Senior Independent Non-Executive Director

Chen Seng Chong, aged 63, a Malaysian, was appointed to the Board on 16 May 2005. He is also the Chairman of the Nomination Committee, and a member of the Audit Committee and 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, 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 and became 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 2011.

LIM PENG @ LIM PANG TUN
Independent Non-Executive Director

Lim Peng @ Lim Pang Tun, aged 56, a Malaysian, was appointed to the Board on 16 May 2005. He is also the Chairman of the Audit Committee, a member of the Remuneration Committee and 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 executive management, corporate finance and accounting; 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 currently involved in private investment ventures.

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 2011.

SOO YOKE MUN
Independent Non-Executive Director

Soo Yoke Mun, aged 62, a Malaysian, was appointed to the Board on 23 January 2009. He is a 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 30 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 of Biosis Group Berhad and The Ayer Molek Rubber Company Berhad; both the companies are 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 2011.

Directors' Profile *continued*

JAYENDRA JANARDAN VED
Non-Independent Non-Executive Director

Jayendra Janardan Ved, aged 49, a British, was appointed to the Board 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 investments, 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 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 two (2) of the four (4) Board Meetings held during the financial year ended 31 December 2011.

NARESHCHANDRA GORDHANDAS NAGRECHA
Non-Independent Non-Executive Director

Nareshchandra Gordhandas Nagrecha, aged 61, was appointed to the Board 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 Malaysia 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 and has no conflict of interest with the Company except that he is a deemed substantial shareholder of 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 2011.

Group Corporate Structure

KAWAN FOOD BERHAD
(Investment holding)

- 100% **KAWAN FOOD MANUFACTURING SDN. BHD.** (Manufacturing and sale of frozen food products)
- 100% **KG PASTRY MARKETING SDN. BHD.** (Trading and distribution of frozen food products)
- 100% **KAWAN FOOD CONFECTIONERY SDN. BHD.** (Dormant)
- 100% **KAWAN FOOD (HONG KONG) LIMITED** (Trading and distribution of frozen food products)
    - 100% **KAWAN FOOD (NANTONG) CO., LTD.** (Manufacturing and trading of frozen food delicacies)
- 51% **KAYANGAN MANISAN (M) SDN. BHD.** (Manufacturing and sale of food products)

Group Financial Highlights

	2011	2010	2009	2008	2007
KEY RESULTS (RM'000)					
Revenue	**104,027**	92,188	87,635	75,225	60,361
Operating profit (EBITDA)	**23,526**	23,175	21,955	15,627	12,315
Profit before tax	**18,117**	17,810	17,749	12,102	9,191
Net profit attributable to shareholders of the Company	**14,206**	14,163	13,575	9,491	8,258
BALANCE SHEET AND OTHER KEY DATA (RM'000)					
Total assets	**129,899**	118,670	109,070	89,878	74,368
Total liabilities	**21,697**	24,717	25,952	18,312	13,939
Share capital (Ordinary shares of RM0.50 each)	**60,000**	60,000	60,000	60,000	40,000
Equity attributable to shareholders of the Company	**108,200**	93,953	83,113	71,549	60,398
Total borrowings	**4,872**	5,995	8,042	2,366	3,362
Total equity	**108,201**	93,953	83,117	71,565	60,429
Net cash from operating activities	**7,156**	18,322	16,532	15,399	12,619
Cash and cash equivalents	**16,800**	23,034	16,627	9,529	11,847
FINANCIAL RATIOS					
Revenue growth (%)	**12.84**	5.20	16.50	24.62	14.92
Current ratio (times)	**3.8**	2.9	2.3	2.2	3.6
Cash ratio (times)	**1.1**	1.3	0.9	0.7	1.3
P/E ratio (times)	**8.45**	12.29	11.40	8.60	9.50
Total borrowings/Equity (%)	**4.50**	6.38	9.68	3.31	5.56
Long term borrowings/Equity (%)	**3.67**	5.17	7.21	1.84	3.92
SHARE INFORMATION					
Basic earnings per share (sen)	**11.84**	11.80	11.31	7.91	10.32
Dividend per share (sen)	**1.40**	1.40	-	1.40	1.83
Net assets per share attributable to shareholders of the Company (RM)	**0.90**	0.78	0.69	0.60	0.75
Share price - High (RM)	**1.42**	1.67	1.61	0.99	1.22
Share price - Low (RM)	**0.80**	1.00	0.85	0.315	0.91
Share price as at 31 December (RM)	**1.00**	1.45	1.29	0.68	0.98
Company market capitalisation (RM'000)	**120,000**	174,000	154,800	81,600	78,400

Executive Chairman's Statement

A Passion *for* Excellence

2011 marked a significant milestone for the Group as sales revenue exceeded RM100 million for the first time.

I am very proud having seen the Group grows over the years from a small family run outfit to what it is today.

Executive Chairman's Statement

On behalf of the Board of Directors, I have the pleasure to present the Annual Report and Audited Financial Statement of Kawan Food Berhad and its subsidiaries ("the Group") for the financial year ended 31 December 2011.

FINANCIAL HIGHLIGHTS

2011 marked a significant milestone for the Group as sales revenue exceeded RM100 million for the first time.

The Group recorded sales of RM104.0 million in 2011 which represented a 13% increase when compared to the previous year's sales of RM92.2 million. The growth came from all the business units with export markets and Malaysia domestic sales being the key contributors. Profit before tax at RM18.1 million was marginally higher compared to RM17.8 million previously.

Profit after tax amounted to RM14.2 million which was similar to the quantum achieved in 2010.

For the year under review, profitability was impacted by a combination of factors including an overall strengthening of the US Dollar versus Ringgit Malaysia. 50% of Group sales revenue was billed in US Dollar. In addition, there was continued investment into the China business unit which has yet to contribute positively to the Group. Input costs such as major raw materials had increased in the course of the year apart from higher operation overheads across the board.

DIVIDEND

On 11 May 2011, 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 ended 31 December 2011. The dividend was paid on 17 June 2011. The Board does not recommend any final dividend to be paid for the year under review.

CORPORATE SOCIAL RESPONSIBILITY

In cultivating sportsmanship and promoting health and fitness amongst the staff, 16 of the Group's finest players (forming Kawan Food FC) were selected to participate and compete in the Kejohanan Bola Sepak Piala Datuk Bandar 2011 organised by MBSA on 25 September 2011. Although they did not manage to enter the qualifying rounds, they displayed true sportsmanship by giving their best in the initial rounds.

Under the initiative of the Group's Communications & Community Committee (COMM^3), a Rest & Relax outing was organized at Taman Pertanian Bukit Cahaya Shah Alam where employees and their family members were treated to various fun filled activities.

In line with its objective to give back to society especially the under-privileged communities, the Group continues to provide contributions in forms of food products, stationeries, goodies bags for its adopted orphanages – the Pertubuhan Kebajikan Anak-Anak Yatim & Miskin and Rumah Ozanam. A "gotong-royong" to clean and tidy up Rumah Ozanam's compound was also carried out.

Executive Chairman's Statement *continued*

OUTLOOK AND PROSPECTS

In Malaysia, the Group has been operating out of our main manufacturing facilities in Section 15, Shah Alam for more than 10 years, the other factory being in Section 16, Shah Alam. To cater for expansion, the Group has recently acquired a piece of land located in the Selangor Halal Hub in Pulau Indah, Port Klang to build a larger factory. These facilities when ready in about 2 years' time will allow us to consolidate our operations under one roof thus enhancing efficiencies and control while having the expanded capacity to cater for growth needs over the next 8-10 years.

On the business front, the Group continues to build the KAWAN brand in key markets. There are plans in the pipeline to cater to wider segments of consumers in key overseas markets. In late 2011, the Group launched its products into the India market. There will be continued initiatives and investments into this exciting new market. On the R&D front, there are on-going efforts to improve on existing products and new product development to ensure that we keep ahead in our core categories.

Looking forward, the Group is well aware that challenges are ever present, in particular with the crises in Europe and the continued laggard economy in the United States, both being key markets for our export business. The volatile exchange rates have to be managed and watched carefully as well as overall cost of operations. There will be renewed focus and investment on all fronts to develop the local China market which we believe holds potential in the medium to long term.

APPRECIATION

On behalf of the Group, I would also like to thank all our valued customers, business partners, suppliers, bankers and associates for their support and contribution to our success.

I am very proud having seen the Group grows over the years from a small family run outfit to what it is today. This achievement would not have been possible if not for the immense support and input from the Board of Directors, the Management team and entire staff force of the Group. I value very much the hard work, diligence, invaluable contribution and the loyalty of each and every colleague of mine. I hope that this "esprit de corps" will continue and be built upon in the coming years so that the Group's achievements can be brought to greater heights.

Thank you.

GAN THIAM CHAI
Executive Chairman

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 on 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 2011.

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 require that at least two (2) Directors or one-third (1/3) 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.

Statement *on* Corporate Governance *continued*

BOARD MEETING

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 2011, the Board met four (4) times, with details of the attendance as follows:-

Name of Directors	Number of Board Meetings Attended
GAN THIAM CHAI	4/4
GAN THIAM HOCK	4/4
KWAN SOK KAY	4/4
LIM PENG @ LIM PANG TUN	4/4
CHEN SENG CHONG	4/4
SOO YOKE MUN	4/4
JAYENDRA JANARDAN VED	2/4
NARESHCHANDRA GORDHANDAS NAGRECHA	4/4

DIRECTORS' TRAINING

All the Directors of the Company have attended the Mandatory Accreditation Programme. 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 operations.

The 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 2011, the external training programmes and seminars attended by the Directors are as follows:-

Name of Directors	Courses / Seminars / Conferences
GAN THIAM CHAI	Transactional Analysis
KWAN SOK KAY	Transactional Analysis
GAN THIAM HOCK	Transactional Analysis
LIM PENG @ LIM PANG TUN	Sustainability Programme for Corporate Malaysia
	Corporate Governance – Towards Board Excellence
	The Continuing Corporate Governance Agenda – Next Steps for Asia
CHEN SENG CHONG	The Board's Responsibility for Corporate Culture
	Corporate Governance – Shareholders' Rights to Shareholders' Responsibilities
	Corporate Governance + Corporate Responsibility + Innovation
SOO YOKE MUN	National Tax Conference 2011
	Budget 2012 Seminar
	MIA-AFA Conference 2011
JAYENDRA JANARDAN VED	Business Quarterly Tax Updates
	Accounting and Audit Quarterly Updates
	Money Laundering - Seasonal Questions and Answers
	Tax Planning Using Trusts and Their Alternatives
	Pensions Contributions and Other Tax Efficient Savings and Investment
NARESHCHANDRA GORDHANDRA NAGRECHA	Transactional Analysis

Statement *on* Corporate Governance *continued*

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 be 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 meeting. This is to ensure that the Directors have sufficient time to study and understand 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 an individual Director. 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 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 their 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	(Member)
• SOO YOKE MUN	(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.

Statement *on* Corporate Governance *continued*

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	(Member)
• CHEN SENG CHONG	(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 formalized. 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 2011. 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 three (3) members comprising a Senior Independent Non-Executive Director, an Independent Non-Executive Director and a Non-Independent Non-Executive Director:-

• CHEN SENG CHONG	(Chairman)
• LIM PENG @ LIM PANG TUN	(Member)
• NARESHCHANDRA GORDHANDAS NAGRECHA	(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; and
c) identifying the mix skills and experience and other qualities the Board requires for it to function completely and efficiently.

Statement *on* Corporate Governance *continued*

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 2011. Details of the attendance are as follows:-

	Number of Meetings Attended
Chairman: CHEN SENG CHONG (Senior Independent Non-Executive Director)	1/1
Member: LIM PENG @ LIM PANG TUN (Independent Non-Executive Director)	1/1
NARESHCHANDRA GORDHANDAS NAGRECHA (Non-Independent Non-Executive Director)	1/1

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

Directors' Renumeration

The aggregate Directors' remuneration paid to all Directors of the Company who served the Group during the year ended 31 December 2011 are as follows:-

	Fees RM'000	**Benefits-in-kind** RM'000	**Salaries, Bonuses & EPF** RM'000	**Total** RM'000
Executive Directors	97	49	1,526	1,672
Non-Executive Directors	167	-	-	167
Total	**264**	**49**	**1,526**	**1,839**

The number of Directors of the Company who served during the financial year ended 31 December 2011 and whose income derived from the Group falls within the following bands are:-

	Executive Directors	**Non-Executive Directors**
RM50,000 and below	-	5
RM350,000 to RM400,000	1	-
RM500,000 to RM550,000	1	-
RM750,000 to RM800,000	1	-
Total	**3**	**5**

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 balance, clear and fair assessment of the Group's annual audited 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 information disclosed to ensure the accuracy, adequacy and completeness of its financial reporting.

A Statement on Directors' Responsibility for preparing the annual audited financial statements is set out on page 33 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 31 and 32 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 25 April 2012.

Audit Committee Report

The Board of Directors ("the 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 ("the 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.

Audit Committee Report *continued*

DETAILS OF ATTENDANCE

Four (4) meetings were held during the financial year ended 31 December 2011.

Details of the attendance are as follows:-

	Number of Meetings Attended
Chairman:	
LIM PENG @ LIM PANG TUN (Independent Non-Executive Director)	4/4
Members:	
CHEN SENG CHONG (Senior Independent Non-Executive Director)	4/4
SOO YOKE MUN (Independent Non-Executive Director)	4/4

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 2011 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 Malaysian Accounting Standards Board 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 audits;

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, including twice yearly discussions without the presence of the senior management.

Audit Committee Report *continued*

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;

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 2011, the amount of fees incurred in respect of the internal audit reviews performed by the external consultant was RM48,000.

Details pertaining to internal audit function are set out in the Statement on Internal Control on pages 31 and 32 of this Annual Report.

Other Information *pursuant to the* Listing Requirements *of* Bursa Securities Malaysia Berhad

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

On 28 July 2011, Kawan Food Berhad ("Kawan" or "the Company") issued 60,000,000 Free Warrants in Kawan on the basis of one (1) Free Warrant for every two (2) existing ordinary shares of RM0.50 each in Kawan held by the entitled shareholders of the Company. The Warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad with effect from 3 August 2011. The estimated proceeds of RM84 million raised over the next five years will be utilised for the Group's working capital purposes.

SHARE BUY-BACK

The Company did not carry out any share buy-back during the financial year ended 31 December 2011.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrant or convertible securities exercised during financial year ended 31 December 2011.

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

The Company has not sponsored any ADR or GDR programme during the financial year ended 31 December 2011.

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 ended 31 December 2011.

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 2011 amounted to RM13,000.

VARIATION IN RESULTS

There was no material variance between the audited financial statements for the financial year ended 31 December 2011 and the announced unaudited financial statements for the fourth quarter ended 31 December 2011.

PROFIT GUARANTEE

There was no profit guarantee given by the Company.

MATERIAL CONTRACTS

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

Other Information *pursuant to the* Listing Requirements *of* Bursa Securities Malaysia Berhad *continued*

RECURRENT RELATED PARTY TRANSACTIONS

The Company had at its Annual General Meeting and Extraordinary General Meeting held on 20 June 2011 and 20 December 2011 respectively obtained a general mandate from its shareholders for the Group to enter into recurrent related party transactions of a revenue or trading nature.

The aggregate value of recurrent related party transactions conducted during the financial year ended 31 December 2011 in accordance with shareholders' mandates obtained in the last Annual General Meeting and Extraordinary General Meeting were as follows:-

Related Parties involved with Kawan Food Berhad ("KFB") or its Subsidiaries	Nature of Transactions	Relationship of Related Parties with KFB	Aggregate Value of Transaction (RM)
Shana Foods Limited ("Shana")	Purchase of frozen food products from KFB or its subsidiaries	Goshenite Limited ("Goshenite") • Substantial Shareholder of KFB • 100% shareholder of Shana Mr. Nareshchandra Gordhandas Nagrecha ("Mr. Nagrecha") • 49% shareholder of Goshenite • Director of KFB and deemed interested in KFB through Goshenite • Director of Shana and deemed interested in Shana through his shareholdings in Goshenite, which owns 100% interest in Shana Mr. Jayendra Janardan Ved ("Mr. Ved") • Deemed interested by virtue of him being a person connected to Mr. Nagrecha	8,071,595
Rubicon Food Products Limited ("Rubicon")	Purchase of frozen food products from KFB or its subsidiaries	Mr. Nagrecha • 49% shareholder of Goshenite • Director of KFB and deemed interested in KFB through Goshenite • Director and 25% shareholder of Rubicon Mr. Ved • Deemed interested by virtue of him being a person connected to Mr. Nagrecha	2,377,483

Other Information *pursuant to the* Listing Requirements *of* Bursa Securities Malaysia Berhad *continued*

Related Parties involved with Kawan Food Berhad ("KFB") or its Subsidiaries	Nature of Transactions	Relationship of Related Parties with KFB	Aggregate Value of Transaction (RM)
K.C. Belight Food Industry (M) Sdn. Bhd. ("KCB")	Purchase of frozen food products from KFB or its subsidiaries	Mr. Gan Thiam Hock • Director of KFB • Substantial Shareholder of KFB • Brother of Mr. Gan Thiam Chai • Brother-in-law of Mdm. Kwan Sok Kay • Spouse of Mdm. Lam Saw Kuan Mdm. Lam Saw Kuan • Director and 50% shareholder of KCB • Spouse of Mr. Gan Thiam Hock Persons connected to Mr. Gan Thiam Hock:- Mr. Gan Thiam Chai • Director of KFB • Substantial Shareholder of KFB • Brother of Mr. Gan Thiam Hock • Spouse of Mdm. Kwan Sok Kay Mdm. Kwan Sok Kay • Director of KFB • Substantial Shareholder of KFB • Spouse of Mr. Gan Thiam Chai • Sister-in-law of Mr. Gan Thiam Hock	654,433
KCB	Sale of frozen food products to KFB or its subsidiaries	Mr. Gan Thiam Hock • Director of KFB • Substantial Shareholder of KFB • Brother of Mr. Gan Thiam Chai • Brother-in-law of Mdm. Kwan Sok Kay • Spouse of Mdm. Lam Saw Kuan Mdm. Lam Saw Kuan • Director and 50% shareholder of KCB • Spouse of Mr. Gan Thiam Hock Persons connected to Mr. Gan Thiam Hock:- Mr. Gan Thiam Chai • Director of KFB • Substantial Shareholder of KFB • Brother of Mr. Gan Thiam Hock • Spouse of Mdm. Kwan Sok Kay Mdm. Kwan Sok Kay • Director of KFB • Substantial Shareholder of KFB • Spouse of Mr. Gan Thiam Chai • Sister-in-law of Mr. Gan Thiam Hock	688,745

Other Information *pursuant to the* Listing Requirements *of* Bursa Securities Malaysia Berhad *continued*

Related Parties involved with Kawan Food Berhad ("KFB") or its Subsidiaries	Nature of Transactions	Relationship of Related Parties with KFB	Aggregate Value of Transaction (RM)
Food Valley Sdn Bhd ("Food Valley")	Sale of frozen food products to KFB or its subsidiaries	Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay • Directors KFB • Substantial shareholders of KFB • Spouse • Brother and sister-in-law of Mr. Gan Thiam Hock respectively • Parents of Ms. Gan Ka Bien, Ms. Gan Ka Hui and Ms. Gan Ka Ooi Mr. Gan Thiam Hock • Director of KFB • Substantial shareholder of KFB • Brother of Mr. Gan Thiam Chai and brother-in-law of Mdm. Kwan Sok Kay • Father of Mr. Gan Meng Hoi Ms. Gan Kan Bien • Director and Shareholder of Food Valley • Shareholder of KFB Ms. Gan Ka Hui • Director and Shareholder of Food Valley Ms. Gan Ka Ooi and Gan Meng Hoi • Shareholders of Food Valley	7,515,736

Statement on Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors ("the Board") 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 Kawan Food Berhad is pleased to set out below its Statement on Internal Control that was prepared in accordance with the 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 but 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 2011, two (2) 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.

Statement *on* Internal Control *continued*

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. There was one (1) surveillance audit conducted in June 2011 in respect of ISO22000:2005 Food Safety Management Systems, and one (1) surveillance audit conducted in respect of British Retail Consortium ("BRC") Global Standard for Food Safety in February 2011 by Lloyd's Register Quality Assurance ("LRQA").

   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.

   BRC specifies 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.

   Internal audit was also carried out in May 2011 and agendas covered were comprehensive to cover both the elements of ISO22000:2005 and BRC.

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 25 April 2012.

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 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 properly drawn up in accordance with the applicable approved Financial Reporting Standard ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") and the provisions of the Companies Act, 1965 ("the Act") so as to give a true and fair view of the financial position of the Company and the Group at the end of the financial year and the financial performance and cash flows of the Company and the Group for the year then ended.

In preparing the financial statements for the year ended 31 December 2011 set out on pages 41 to 98 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 and the directive dated 25 March 2010 issued by Bursa Malaysia Securities Berhad have been followed; and
iv) prepared financial statements on the going concern basis.

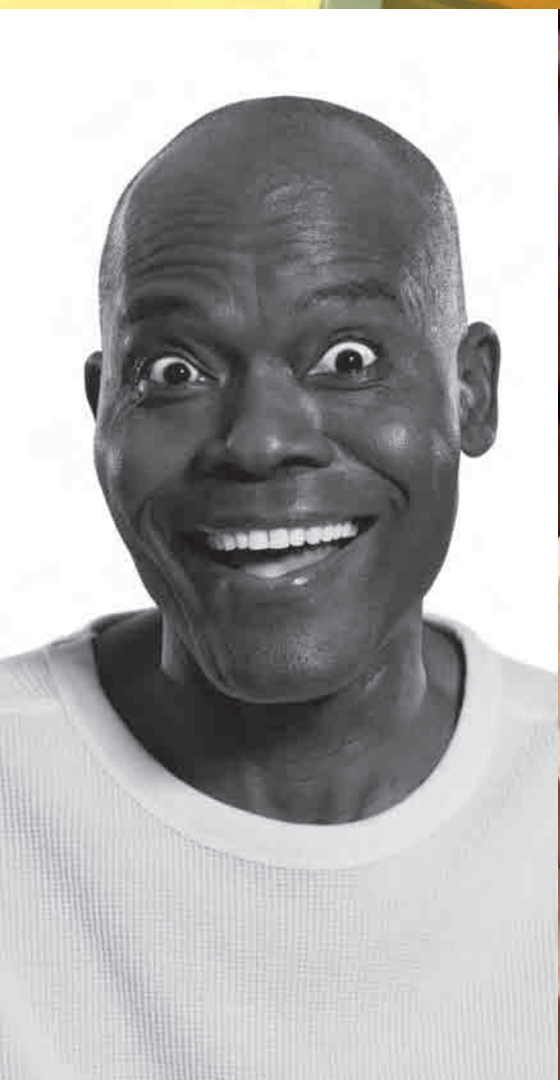
The Directors have responsibility for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Act.

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 at the Board of Directors' Meeting held on 25 April 2012.

A Passion *for* Growth

The Group recorded sales of RM104.0 million in 2011 which represented a 13% increase when compared to the previous year's sales of RM92.2 million. The growth came from all the business units with export markets and Malaysia domestic sales being the key contributors. Profit before tax at RM18.1 million was marginally higher compared to RM17.8 million previously.



Financial Statements

Directors' Report *for the year ended 31 December 2011*

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 2011.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of its subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group	Company
	RM	RM
Profit for the year attributable to:		
Owners of the Company	14,206,301	3,323,140
Non-controlling interests	1,660	-
	14,207,961	3,323,140

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 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 2011 on 17 June 2011.

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
Nareshchandra Gordhandas Nagrecha

Directors' Report *for the year ended 31 December 2011 continued*

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 1.1.2011	Bought	Sold	Balance at 31.12.2011
Direct interests in the Company				
Chen Seng Chong	225,000	-	-	225,000
Lim Peng @ Lim Pang Tun	150,000	-	-	150,000
Gan Thiam Chai	39,959,994	-	-	39,959,994
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

	Number of warrants over ordinary shares			
	At entitlement date	Bought	Sold	Balance at 31.12.2011
Direct interests in the Company				
Chen Seng Chong	112,500	-	-	112,500
Lim Peng @ Lim Pang Tun	75,000	-	-	75,000
Gan Thiam Chai	19,980,001	-	-	19,980,001
Gan Thiam Hock	5,040,000	-	-	5,040,000
Kwan Sok Kay	5,030,250	-	-	5,030,250
Deemed interests through Goshenite Limited				
Nareshchandra Gordhandas Nagrecha	14,400,000	-	-	14,400,000

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 Kawan Food Berhad has an interest.

None of the other Directors holding office at 31 December 2011 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Report *for the year ended 31 December 2011 continued*

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 company with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest, other than certain Directors, and the spouse of a Director and children of certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29 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 financial year.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

Warrants

On 28 July 2011, the Company issued 60,000,000 free warrants on the basis of one (1) free warrant for every two (2) existing ordinary shares of RM0.50 each held by the entitled shareholders of the Company.

The warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad with effect from 3 August 2011.

The terms of the warrants are as disclosed in Note 13 to the financial statements.

Except as disclosed above, no other options were granted to any person to take up unissued shares of the Company during the year.

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of comprehensive income 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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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 financial statements of the Group and of the Company 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

Directors' Report *for the year ended 31 December 2011 continued*

OTHER STATUTORY INFORMATION *continued*

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 financial performance of the Group and of the Company for the financial year ended 31 December 2011 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.

SUBSEQUENT EVENTS

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

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

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: 25 April 2012

Statement *of* Financial Position *as at 31 December 2011*

		Group		
	Note	31.12.2011 RM	31.12.2010 RM Restated	1.1.2010 RM Restated
Assets				
Property, plant and equipment	3	**65,486,408**	62,703,736	62,304,112
Investment properties	4	**2,741,819**	2,756,977	1,996,408
Prepaid lease payments	5	**2,907,654**	2,759,711	3,027,834
Goodwill	6	**-**	-	204,230
Deferred tax assets	8	**98,123**	88,433	100,043
Total non-current assets		**71,234,004**	68,308,857	67,632,627
Other investments, including derivatives	10	**5,207,687**	763,770	-
Inventories	11	**6,466,552**	5,530,480	5,575,501
Current tax assets		**2,629,880**	2,425,358	701,797
Trade and other receivables	9	**27,459,092**	18,377,777	18,213,455
Prepayments		**101,358**	229,445	319,513
Cash and cash equivalents	12	**16,800,116**	23,034,299	16,626,907
Total current assets		**58,664,685**	50,361,129	41,437,173
Total assets		**129,898,689**	118,669,986	109,069,800
Equity				
Share capital		**60,000,000**	60,000,000	60,000,000
Reserves		**48,199,761**	33,953,423	23,113,124
Total equity attributable to owners of the Company		**108,199,761**	93,953,423	83,113,124
Non-controlling interests		**1,660**	-	4,260
Total equity	13	**108,201,421**	93,953,423	83,117,384
Liabilities				
Loans and borrowings	14	**3,971,234**	4,858,897	5,993,038
Deferred tax liabilities	8	**2,283,504**	2,348,430	1,935,645
Total non-current liabilities		**6,254,738**	7,207,327	7,928,683
Loans and borrowings	14	**900,682**	1,136,291	2,048,580
Trade and other payables, including derivatives	15	**13,730,046**	16,174,635	15,637,437
Current tax liabilities		**811,802**	198,310	337,716
Total current liabilities		**15,442,530**	17,509,236	18,023,733
Total liabilities		**21,697,268**	24,716,563	25,952,416
Total equity and liabilities		**129,898,689**	118,669,986	109,069,800

The notes on pages 48 to 98 are an integral part of these financial statements.

Statement *of* Financial Position *as at 31 December 2011*

	Note	Company		
		31.12.2011 RM	31.12.2010 RM Restated	1.1.2010 RM
Assets				
Investments in subsidiaries	7	**54,010,038**	53,507,888	55,825,938
Trade and other receivables	9	**3,701,610**	5,122,626	5,431,777
Total non-current assets		**57,711,648**	58,630,514	61,257,715
Current tax assets		**323,038**	421,971	225,453
Trade and other receivables	9	**16,031,909**	5,426,304	3,589,345
Dividends receivable		-	7,875,000	-
Cash and cash equivalents	12	**591,164**	357,450	91,209
Total current assets		**16,946,111**	14,080,725	3,906,007
Total assets		**74,657,759**	72,711,239	65,163,722
Equity				
Share capital		**60,000,000**	60,000,000	60,000,000
Reserves		**13,808,228**	12,165,088	4,213,506
Total equity	13	**73,808,228**	72,165,088	64,213,506
Liabilities				
Deferred tax liabilities	8	**337,483**	207,151	-
Total non-current liabilities		**337,483**	207,151	-
Trade and other payables, including derivatives	15	**512,048**	339,000	950,216
Total current liabilities		**512,048**	339,000	950,216
Total liabilities		**849,531**	546,151	950,216
Total equity and liabilities		**74,657,759**	72,711,239	65,163,722

The notes on pages 48 to 98 are an integral part of these financial statements.

Statements *of* Comprehensive Income *for the year ended 31 December 2011*

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Revenue	16	**104,027,438**	92,187,892	**4,000,000**	17,500,000
Cost of sales		**(61,937,749)**	(51,742,253)	-	-
Gross profit		**42,089,689**	40,445,639	**4,000,000**	17,500,000
Other income		**2,133,612**	1,984,655	**785,889**	-
Selling and distribution expenses		**(15,761,479)**	(12,543,550)	-	-
Administrative expenses		**(10,030,694)**	(11,591,242)	**(962,264)**	(3,963,721)
Results from operating activities		**18,431,128**	18,295,502	**3,823,625**	13,536,279
Finance income	19	**188,467**	115,231	**534,972**	481,168
Finance costs	20	**(502,293)**	(600,785)	**(818)**	(232)
Profit before tax		**18,117,302**	17,809,948	**4,357,779**	14,017,215
Income tax expense	21	**(3,909,341)**	(3,650,747)	**(1,034,639)**	(4,385,633)
Profit for the year	17	**14,207,961**	14,159,201	**3,323,140**	9,631,582
Other comprehensive income, net of tax	22				
Foreign currency translation differences for foreign operations		**1,720,037**	(1,795,690)	-	-
Total comprehensive income for the year		**15,927,998**	12,363,511	**3,323,140**	9,631,582
Profit attributable to:					
Owners of the Company		**14,206,301**	14,163,461	**3,323,140**	9,631,582
Non-controlling interests		**1,660**	(4,260)	-	-
Profit for the year		**14,207,961**	14,159,201	**3,323,140**	9,631,582
Total comprehensive income attributable to:					
Owners of the Company		**15,926,338**	12,367,771	**3,323,140**	9,631,582
Non-controlling interests		**1,660**	(4,260)	-	-
Total comprehensive income for the year		**15,927,998**	12,363,511	**3,323,140**	9,631,582
Earnings per ordinary share (sen)					
- Basic	23	**11.84**	11.80		
- Diluted	23	**N/A**	N/A		

The notes on pages 48 to 98 are an integral part of these financial statements.

Statement *of* Changes *in* Equity *for the year ended 31 December 2011*

Group	Note	Share capital RM	Translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company					
		Non-distributable		*Distributable*			
At 1 January 2010		60,000,000	1,173,419	22,092,233	83,265,652	4,260	83,269,912
Total other comprehensive income for the year - Foreign currency translation differences for foreign operations		-	(1,795,690)	-	(1,795,690)	-	(1,795,690)
Profit for the year		-	-	14,163,461	14,163,461	(4,260)	14,159,201
Total comprehensive income for the year		-	(1,795,690)	14,163,461	12,367,771	(4,260)	12,363,511
Dividends to owners of the Company	24	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
At 31 December 2010/ 1 January 2011		60,000,000	(622,271)	34,575,694	93,953,423	-	93,953,423
Total other comprehensive income for the year - Foreign currency translation differences for foreign operations		-	1,720,037	-	1,720,037	-	1,720,037
Profit for the year		-	-	14,206,301	14,206,301	1,660	14,207,961
Total comprehensive income for the year		-	1,720,037	14,206,301	15,926,338	1,660	15,927,998
Dividends to owners of the Company	24	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
At 31 December 2011		60,000,000	1,097,766	47,101,995	108,199,761	1,660	108,201,421

The notes on pages 48 to 98 are an integral part of these financial statements.

Statement *of* Changes *in* Equity *for the year ended 31 December 2011*

	Note	*Non-distributable* Share capital RM	*Distributable* Retained earnings RM	Total equity RM
Company				
At 1 January 2010		60,000,000	4,213,506	64,213,506
Profit and total comprehensive income for the year		-	9,631,582	9,631,582
Dividends to owners of the Company	24	-	(1,680,000)	(1,680,000)
At 31 December 2010/ 1 January 2011		60,000,000	12,165,088	72,165,088
Profit and total comprehensive income for the year		-	3,323,140	3,323,140
Dividends to owners of the Company	24	-	(1,680,000)	(1,680,000)
At 31 December 2011		60,000,000	13,808,228	73,808,228

The notes on pages 48 to 98 are an integral part of these financial statements.

Statements *of* Cash Flows *for the year ended 31 December 2011*

	Note	Group 2011 RM	Group 2010 RM Restated	Company 2011 RM	Company 2010 RM
Cash flows from operating activities					
Profit before tax		**18,117,302**	17,809,948	**4,357,779**	14,017,215
Adjustments for:					
Amortisation of prepaid lease payments	5	**64,615**	59,992	-	-
Depreciation of investment properties	4	**50,898**	35,532	-	-
Depreciation of property, plant and equipment	3	**5,217,647**	5,066,829	-	-
Dividend income	16	-	-	**(4,000,000)**	(17,500,000)
Finance income	19	**(188,467)**	(115,231)	**(534,972)**	(481,168)
Interest expense	20	**263,976**	317,722	-	-
Impairment loss on investments in subsidiaries		-	-	-	255,000
Impairment loss on goodwill		-	204,230	-	-
Loss on disposal of property, plant and equipment		**5,008**	196,788	-	-
Unrealised foreign exchange differences		**(1,434,376)**	119,699	**(785,889)**	3,118,532
Operating profit/(loss) before changes in working capital		**22,096,603**	23,695,509	**(963,082)**	(590,421)
Change in inventories		**(936,072)**	45,021	-	-
Change in trade and other payables		**(2,444,589)**	537,198	**173,048**	(611,216)
Change in trade and other receivables, prepayments and other financial assets		**(7,975,849)**	(918,156)	**(8,400,000)**	(2,103,400)
Cash generated from/(used in) operations		**10,740,093**	23,359,572	**(9,190,034)**	(3,305,037)
Dividends received		-	-	**10,875,000**	5,250,000
Income tax paid		**(3,778,823)**	(5,765,678)	-	-
Income tax refund		**194,626**	728,138	**194,626**	-
Net cash from operating activities		**7,155,896**	18,322,032	**1,879,592**	1,944,963

Statements *of* Cash Flows *for the year ended 31 December 2011 continued*

	Note	Group 2011 RM	Group 2010 RM Restated	Company 2011 RM	Company 2010 RM
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	**(5,609,620)**	(7,688,849)	-	-
Proceeds from disposal of property, plant and equipment		**11,000**	15,200	-	-
Finance income from fixed deposits		**188,467**	115,231	**34,122**	1,278
Investment in unit trusts		**(5,207,687)**	-	-	-
Net cash (used in)/from investing activities		**(10,617,840)**	(7,558,418)	**34,122**	1,278
Cash flows from financing activities					
Dividends paid to owners of the Company		**(1,680,000)**	(1,680,000)	**(1,680,000)**	(1,680,000)
Repayment of borrowings		**(1,044,535)**	(1,911,421)	-	-
Payment of finance lease liability		**(78,737)**	(135,009)	-	-
Finance costs on finance lease liability		**(5,119)**	(8,775)	-	-
Finance costs on term loans		**(258,857)**	(308,947)	-	-
Net cash used in financing activities		**(3,067,248)**	(4,044,152)	**(1,680,000)**	(1,680,000)
Net (decrease)/increase in cash and cash equivalents		**(6,529,192)**	6,719,462	**233,714**	266,241
Effect of exchange rate fluctuations on cash held		**295,009**	(312,070)	-	-
Cash and cash equivalents at 1 January		**23,034,299**	16,626,907	**357,450**	91,209
Cash and cash equivalents at 31 December	(ii)	**16,800,116**	23,034,299	**591,164**	357,450

i) Acquisition of property, plant and equipment

Included in acquisition of property, plant and equipment are deposits and progress payments of RM512,335 (2010: RM632,896) incurred in prior years and capitalised in 2011.

ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statement of financial position amounts:

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Deposits placed with licensed banks	12	**4,636,655**	2,671,977	**577,883**	344,708
Cash and bank balances	12	**12,163,461**	20,362,322	**13,281**	12,742
		16,800,116	23,034,299	**591,164**	357,450

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 of the Company 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 Persoft Tower
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 2011 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 2011 do not include other entities.

The Company is principally engaged in investment holding activities while the other Group entities are primarily involved in the manufacturing, sale, trading and distribution of frozen food products.

These financial statements were authorised for issue by the Board of Directors on 25 April 2012.

1. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS), generally accepted accounting principles 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 years beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

Notes *to* the Financial Statements *continued*

1. BASIS OF PREPARATION *continued*

a) Statement of compliance *continued*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group and the Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than those 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 judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, 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 judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 6 – measurement of the recoverable amounts of cash-generating units.

Notes *to* the Financial Statements *continued*

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, unless otherwise stated.

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.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The costs of investments include transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011, the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisition on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interests in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Notes *to* the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

a) Basis of consolidation *continued*

ii) Accounting for business combinations *continued*

When share-based payments awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and / or future service.

Acquisition between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities, and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the costs of the acquisition.

Acquisition prior to 1 January 2006

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.

iii) Accounting for acquisition of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any considerations received or paid, is adjusted to or against Group reserves.

iv) Loss of control

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non- controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Notes *to* the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

a) Basis of consolidation *continued*

v) Non-controlling interests *continued*

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous financial years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

vi) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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 dates of the transactions.

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value 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 profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. 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 other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

Notes *to* the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

b) Foreign currency *continued*

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

c) Financial instruments

i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with gain or loss recognised in profit or loss.

b) Held-to-maturity investments

Held-to-maturity investment category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

Notes *to* the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

c) Financial instruments *continued*

ii) Financial instrument categories and subsequent measurement *continued*

***Financial assets** continued*

c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorise as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment [see Note 2(j)(i)].

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

iii) Financial guarantee contracts

A financial guarantee contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because of a specified debtors fails to make payment when due in accordance with the original or modified terms of the debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

Notes *to* the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

c) Financial instruments *continued*

iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

d) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured 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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Costs also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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.

The gains and loss 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 "administrative expenses" respectively in profit or loss.

Notes *to* the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

d) Property, plant and equipment *continued*

ii) Subsequent costs

The cost of replacing a 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 to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss 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 profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Leasehold land is amortised over the remaining lease periods. 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

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

e) Leased assets

i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of 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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

ii) Operating lease

Leases where the Group 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 statement of financial position. 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.

Notes *to* the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

e) Leased assets *continued*

ii) Operating lease *continued*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

f) Goodwill

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

Amortisation

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

g) Investment properties

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 measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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 profit or loss in the period in which the item is derecognised.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings and over the remaining lease periods for leasehold land. Freehold land is not depreciated.

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.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Notes *to* the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

g) Investment properties *continued*

ii) Determination of fair value *continued*

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

h) 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.

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

i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Notes *to* the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

j) Impairment *continued*

i) Financial assets *continued*

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the assets 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 profit or loss. 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 profit or loss in the year in which the reversals are recognised.

k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

l) Employee benefits

i) 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.

Notes *to* the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

l) Employee benefits *continued*

ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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 persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's and the Company's right to receive payment is established.

iii) Rental income

Rental income from investment property is recognised in profit or loss 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. Rental income from subleased property is recognised as other income.

iv) Finance income

Finance income is recognised as it accrues using the effective interest method in profit or loss except for finance income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, constructions or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying assets 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Notes *to* the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combinations or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 statement of financial position 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 or loss. Deferred tax is measured at the tax rates that are expected to apply 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (EPS).

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, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held and for the effects of all dilutive potential ordinary shares, which comprise warrants over ordinary shares granted to entitled shareholders.

r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Notes *to* the Financial Statements *continued*

3. PROPERTY, PLANT AND EQUIPMENT

Group	Land RM	Buildings RM	Apartments RM	Motor vehicles RM
Cost				
At 1 January 2010, restated	8,168,593	19,141,786	1,498,781	1,737,568
Additions	-	553,675	-	644,218
Transfer to investment properties	(78,000)	(310,306)	(472,530)	-
Disposals	-	-	-	-
Written off	-	-	-	-
Effect of movements in exchange rates	-	(807,391)	(67,561)	(18,049)
Reclassification	-	2,687,510	-	-
At 31 December 2010/ 1 January 2011, restated	8,090,593	21,265,274	958,690	2,363,737
Additions	-	11,274	-	502,755
Disposals	-	-	-	(13,741)
Effect of movements in exchange rates	-	1,092,137	33,601	18,834
Reclassification	-	112,949	-	90,067
At 31 December 2011	8,090,593	22,481,634	992,291	2,961,652
Depreciation				
At 1 January 2010, restated	528,341	715,066	72,896	256,763
Depreciation for the year	95,790	611,459	27,216	207,983
Transfer to investment properties	-	(56,229)	(8,506)	-
Disposals	-	-	-	-
Written off	-	-	-	-
Effect of movements in exchange rates	-	(1,628)	-	(5,255)
At 31 December 2010/ 1 January 2011, restated	624,131	1,268,668	91,606	459,491
Depreciation for the year	95,790	419,122	43,635	225,840
Disposals	-	-	-	(13,740)
Effect of movements in exchange rates	-	36,201	614	8,587
At 31 December 2011	719,921	1,723,991	135,855	680,178
Carrying amounts				
At 1 January 2010, restated	7,640,252	18,426,720	1,425,885	1,480,805
At 31 December 2010/ 1 January 2011, restated	7,466,462	19,996,606	867,084	1,904,246
At 31 December 2011	7,370,672	20,757,643	856,436	2,281,474

Furniture, fittings and office equipment RM	Plant and machineries RM	Renovation RM	Signage RM	Capital work-in-progress RM	Total RM
4,280,097	30,332,527	4,341,818	39,800	7,300,523	76,841,493
150,553	6,566,854	404,231	-	2,214	8,321,745
-	-	-	-	-	(860,836)
(22,810)	(307,436)	-	-	-	(330,246)
(2,500)	(8,812)	-	-	-	(11,312)
(59,105)	(324,474)	-	-	(582,742)	(1,859,322)
-	633,123	-	-	(3,320,633)	-
4,346,235	36,891,782	4,746,049	39,800	3,399,362	82,101,522
290,758	1,955,003	131,374	-	3,230,791	6,121,955
(40,717)	(20,500)	-	-	-	(74,958)
63,876	500,396	-	-	271,607	1,980,451
17,612	1,762,683	-	-	(1,983,311)	-
4,677,764	41,089,364	4,877,423	39,800	4,918,449	90,128,970
1,421,553	11,097,576	434,624	10,562	-	14,537,381
491,915	3,165,464	463,022	3,980	-	5,066,829
-	-	-	-	-	(64,735)
(18,607)	(102,151)	-	-	-	(120,758)
-	(8,812)	-	-	-	(8,812)
(5,236)	-	-	-	-	(12,119)
1,889,625	14,152,077	897,646	14,542	-	19,397,786
448,766	3,500,980	479,534	3,980	-	5,217,647
(36,156)	(9,054)	-	-	-	(58,950)
11,949	28,728	-	-	-	86,079
2,314,184	17,672,731	1,377,180	18,522	-	24,642,562
2,858,544	19,234,951	3,907,194	29,238	7,300,523	62,304,112
2,456,610	22,739,705	3,848,403	25,258	3,399,362	62,703,736
2,363,580	23,416,633	3,500,243	21,278	4,918,449	65,486,408

Notes *to* the Financial Statements *continued*

3. PROPERTY, PLANT AND EQUIPMENT *continued*

3.1 Leased motor vehicles

In year 2010, the net carrying amount of leased motor vehicles was RM278,000.

3.2 Security

Buildings with a carrying amount of RM6,302,908 (2010: RM6,460,190) are assigned to licensed banks for banking facilities granted to a subsidiary (see Note 14).

Leasehold land with a carrying amount of RM7,370,672 (2010: RM7,466,460) have been assigned to licensed banks for banking facilities (see Note 14).

3.3 Buildings

In year 2010, building with a carrying amount of RM13,733,228 in respect of a subsidiary was pending the issuance of certificate of ownership by the relevant authorities in mainland China. The certificate of ownership has subsequently been issued in 2011.

3.4 Apartments

Apartments with a carrying amount of RM445,198 (2010: RM455,937) have yet to be issued with strata title to a subsidiary.

3.5 Land

Included in the carrying amounts of land are:

	31.12.2011 RM	**31.12.2010 RM Restated**	**1.1.2010 RM Restated**
Freehold land	-	-	78,000
Long term leasehold land	**7,370,672**	7,466,462	7,562,252
	7,370,672	7,466,462	7,640,252

The carrying amounts of land at 1 January 2010 and 31 December 2010 have been restated due to a leasehold land, which in substance is an operating lease in accordance with FRS 117, *Leases*, has been classified as property, plant and equipment instead of prepaid lease payments in prior years.

Notes *to* the Financial Statements *continued*

4. INVESTMENT PROPERTIES

Group	RM
Cost	
At 1 January 2010	2,345,100
Transfer from property, plant and equipment	860,836
At 31 December 2010/1 January 2011	3,205,936
Effect of movements in exchange rates	36,395
At 31 December 2011	3,242,331
Depreciation	
At 1 January 2010	348,692
Depreciation for the year	35,532
Transfer from property, plant and equipment	64,735
At 31 December 2010/1 January 2011, restated	448,959
Depreciation for the year	50,898
Effect of movements in exchange rates	655
At 31 December 2011	500,512
Carrying amounts	
At 1 January 2010	1,996,408
At 31 December 2010/1 January 2011	2,756,977
At 31 December 2011	2,741,819
Fair values	
At 1 January 2010	4,720,000
At 31 December 2010/1 January 2011	5,882,000
At 31 December 2011	5,820,000

Included in the above are:

	Group	
	2011 RM	**2010 RM**
At cost:		
Freehold land	**78,000**	78,000
Leasehold land with unexpired lease period of:		
- more than 50 years	**1,206,551**	1,206,551
Buildings	**1,448,856**	1,448,856
Apartments	**508,924**	472,529
	3,242,331	3,205,936

Investment properties comprise two commercial properties that are leased to a third party and an apartment that is vacant. The lease is renewable on a yearly basis. No contingent rents are charged.

Notes *to* the Financial Statements *continued*

4. INVESTMENT PROPERTIES *continued*

Estimation uncertainty and assumptions

The Group estimates the fair value of its investment properties based on the following key assumptions:
- the comparison of the Group's investment properties 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 profit or loss in respect of investment properties:

	Group	
	2011 RM	**2010 RM**
Rental income	**342,000**	342,000
Direct operating expenses:		
- income generating investment properties	**(40,449)**	(41,227)
- non-income generating investment properties	**-**	(5,244)
	301,551	295,529

As at 31 December 2011, investment property with a carrying amount of RM1,925,344 (2010: RM1,960,876) has been assigned to a licensed bank for credit facilities granted to a subsidiary (see Note 14).

5. PREPAID LEASE PAYMENTS

Group	**RM**
Cost	
At 1 January 2010, restated	3,221,100
Effect on movements in exchange rates	(221,415)
At 31 December 2010/1 January 2011, restated	2,999,685
Effect on movements in exchange rates	231,041
At 31 December 2011	3,230,726
Amortisation	
At 1 January 2010, restated	193,266
Amortisation for the year	59,992
Effect on movements in exchange rates	(13,284)
At 31 December 2010/1 January 2011, restated	239,974
Amortisation for the year	64,615
Effect on movements in exchange rates	18,483
At 31 December 2011	323,072
Carrying amounts	
At 1 January 2010, restated	3,027,834
At 31 December 2010/1 January 2011, restated	2,759,711
At 31 December 2011	2,907,654

Notes *to* the Financial Statements *continued*

5. PREPAID LEASE PAYMENTS *continued*

The carrying amounts of prepaid lease payments are wholly related to a leasehold land with unexpired lease period of less than 50 years.

The carrying amounts of prepaid lease payments at 1 January 2010 and 31 December 2010 have been restated due to a leasehold land, which in substance is an operating lease in accordance with FRS 117, *Leases*, has been classified as property, plant and equipment instead of prepaid lease payments in prior years.

6. GOODWILL

Group	**RM**
Cost	
At 1 January 2010/31 December 2010/ 1 January 2011/31 December 2011	204,230
Impairment loss	
At 1 January 2010	-
Impairment loss	(204,230)
At 31 December 2010/1 January 2011/ 31 December 2011	(204,230)
Carrying amounts	
At 1 January 2010	204,230
At 31 December 2010/1 January 2011/ 31 December 2011	-

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent 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.
- In 2010, revenue was projected at an anticipated annual revenue growth of 5% per annum for 5 years.
- In 2010, administrative and other operating expenses were projected at an anticipated annual increase of 5%.
- In 2010, a pre-tax discount rate of 9.88% 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.

Sensitivity analysis on the above assumptions and estimates is not presented, as full impairment loss has been made on the goodwill.

Notes *to* the Financial Statements *continued*

7. INVESTMENTS IN SUBSIDIARIES

	Company 2011 RM	Company 2010 RM
Unquoted shares, at cost	**35,095,616**	35,095,616
Less : Accumulated impairment loss	**(255,000)**	(255,000)
	34,840,616	34,840,616
Advances receivable (Quasi-equity)	**19,169,422**	18,667,272
	54,010,038	53,507,888

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2011	Effective ownership interest 2010
Held by the Company				
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%
Kayangan Manisan (M) Sdn. Bhd.	Malaysia	Manufacturing and sale of food products	51%	51%
Kawan Food Confectionery Sdn. Bhd.	Malaysia	Dormant	100%	100%
Kawan Food (Hong Kong) Limited+	Hong Kong	Trading and distribution of frozen food products	100%	100%
Held by Kawan Food (Hong Kong) Limited				
Kawan Food (Nantong) Co., Ltd.+	China	Manufacturing and trading of frozen food delicacies	100%	100%

+ Subsidiary audited by KPMG International, affiliates

The advances receivable from Kawan Food (Hong Kong) Limited are interest free and are determined to form part of the Company's net investment in the subsidiary, hence are deemed as quasi-equity.

Notes *to* the Financial Statements *continued*

8. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2011 RM**	**2010 RM**	**2011 RM**	**2010 RM**	**2011 RM**	**2010 RM**
Property, plant and equipment	-	-	**(3,074,211)**	(3,233,518)	**(3,074,211)**	(3,233,518)
Inventories	**98,124**	56,023	-	-	**98,124**	56,023
Provisions	**795,825**	917,183	-	-	**795,825**	917,183
Other items	-	315	**(5,119)**	-	**(5,119)**	315
Deferred tax assets/ (liabilities)	**893,949**	973,521	**(3,079,330)**	(3,233,518)	**(2,185,381)**	(2,259,997)
Set off	**(795,826)**	(885,088)	**795,826**	885,088	-	-
Net deferred tax assets/(liabilities)	**98,123**	88,433	**(2,283,504)**	(2,348,430)	**(2,185,381)**	(2,259,997)
Company						
Other items	-	-	**(337,483)**	(207,151)	**(337,483)**	(207,151)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2011 RM	**2010 RM** Restated
Plant and equipment	**(1,289,374)**	(1,219,412)
Tax loss carry-forwards	**247,644**	186,206
Capital allowance carry-forwards	**155,657**	160,332
Other deductible temporary differences	**1,492,987**	1,462,265
	606,914	589,391

Notes *to* the Financial Statements *continued*

8. DEFERRED TAX ASSETS/(LIABILITIES) *continued*

Movement in temporary differences during the year

Group	At 1.1.2010 RM	Recognised in profit or loss (Note 21) RM	At 31.12.2010 RM	Recognised in profit or loss (Note 21) RM	At 31.12.2011 RM
Property, plant and equipment	(2,826,302)	(407,216)	(3,233,518)	159,307	**(3,074,211)**
Inventories	88,042	(32,019)	56,023	42,101	**98,124**
Provisions	887,084	30,099	917,183	(121,358)	**795,825**
Tax loss carry-forwards	6,000	(6,000)	-	-	-
Other items	9,574	(9,259)	315	(5,434)	**(5,119)**
	(1,835,602)	(424,395)	(2,259,997)	74,616	**(2,185,381)**
Company					
Other items	-	(207,151)	(207,151)	(130,332)	**(337,483)**

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM Restated
Non-current					
Advances to subsidiaries	9.1	-	-	**3,701,610**	5,122,626
Current					
Trade					
Trade receivables	9.2	**24,019,649**	16,270,543	-	-
Non-trade					
Advances to subsidiaries	9.1	-	-	**16,030,909**	5,425,304
Other receivables	9.3	**3,439,443**	2,107,234	**1,000**	1,000
		3,439,443	2,107,234	**16,031,909**	5,426,304
Total current		**27,459,092**	18,377,777	**16,031,909**	5,426,304
Total		**27,459,092**	18,377,777	**19,733,519**	10,548,930

Notes *to* the Financial Statements *continued*

9. TRADE AND OTHER RECEIVABLES *continued*

9.1 Advances to subsidiaries

Advances to subsidiaries of RM8,400,000 (2010: Nil) are unsecured, interest free and repayable on demand. The remaining advances to subsidiaries bear interest at 5% per annum (2010: 5%). The repayment terms are as follow:

Agreement date	Year of maturity	Total RM	Less than 1 year RM	1 - 2 year RM	2 - 5 years RM
2011					
22 October 2011 (renewal)	2012	3,591,038	3,591,038	-	-
22 October 2008	2013	1,751,398	-	1,751,398	-
5 December 2008	2013	3,746,666	1,796,454	1,950,212	-
22 December 2011 (renewal)	2012	2,243,417	2,243,417	-	-
		11,332,519	7,630,909	3,701,610	-
2010					
22 October 2010 (renewal)	2011	3,342,697	3,342,697	-	-
22 October 2008	2013	1,636,096	-	-	1,636,096
5 December 2008	2013	3,486,530	-	1,672,256	1,814,274
22 December 2010	2011	2,082,607	2,082,607	-	-
		10,547,930	5,425,304	1,672,256	3,450,370

9.2 Trade receivables

Included in trade receivables of the Group is an amount of RM1,691,745 (2010: RM773,763) due from companies in which certain Directors have interests.

9.3 Other receivables

Included in other receivables of the Group is an amount of RM2,898,875 (2010: RM590,963) being deposit paid for the acquisition of property, plant and machineries.

10. OTHER INVESTMENTS, INCLUDING DERIVATIVES

	Group	
	2011 RM	2010 RM
Current		
Financial assets at fair value through profit or loss		
- Held for trading : Derivatives	-	763,770
- Held for trading : Unit trusts (Quoted)	**5,207,687**	-
	5,207,687	763,770

Notes *to* the Financial Statements *continued*

11. INVENTORIES

	Group 2011 RM	Group 2010 RM
At cost		
Raw materials	**728,126**	923,547
Packaging materials	**1,659,330**	1,621,137
Finished goods	**4,079,096**	2,985,796
	6,466,552	5,530,480
Recognised in profit or loss:		
Inventories recognised as cost of sales	**61,937,749**	51,742,253

12. CASH AND CASH EQUIVALENTS

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Deposits placed with licensed banks	**4,636,655**	2,671,977	**577,883**	344,708
Cash and bank balances	**12,163,461**	20,362,322	**13,281**	12,742
	16,800,116	23,034,299	**591,164**	357,450

Deposits placed with licensed banks of the Group and of the Company comprise placements in fixed income trusts of which RM4,636,655 (2010: RM1,921,691) and RM577,883 (2010: RM339,070) respectively are redeemable at call and the remaining are redeemable upon 7 days notice.

13. CAPITAL AND RESERVES

Share capital

	Group and Company 2011 Number of shares	Group and Company 2011 Amount RM	Group and Company 2010 Number of shares	Group and Company 2010 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	**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.

Notes *to* the Financial Statements *continued*

13. 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 approximately RM10,209,000 from its retained earnings as at 31 December 2011 if paid out as dividends. The remaining retained earnings may be distributed as single tier tax exempt dividends enacted via the Finance Act, 2007.

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 2011 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.

Warrants

On 28 July 2011, the Company issued 60,000,000 free warrants on the basis of one (1) free warrant for every two (2) existing ordinary shares of RM0.50 each held by the entitled shareholders of the Company.

The warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad with effect from 3 August 2011.

The terms of the warrants are as follows:

a) Exercise rights - each warrant carries the entitlement, at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price, subject to the adjustments in accordance with the provisions of the Deed Poll.

b) Exercise price - the exercise price of the warrants has been fixed at RM1.40 per warrant, subject to such adjustment as may be allowed under the Deed Poll.

c) Exercise period - the period commencing on and including the day of issuance of the warrants and expiring on the fifth anniversary of the issue date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.

d) Transferability - the warrants will be transferable at board lot of 100 warrants as determined by Bursa Malaysia Securities Berhad.

e) Ranking - the 60,000,000 new ordinary shares to be issued pursuant to the exercise of the warrants will, upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares excepts that such new ordinary shares shall not be entitled for any dividend, rights, allotments and/or other distributions, the entitlement date of which precedes or falls on the date of allotment of the new ordinary shares, and will be subject to all the provisions of the Articles of Association of the Company.

Notes *to* the Financial Statements *continued*

14. LOANS AND BORROWINGS

	Group 2011 RM	Group 2010 RM
Non-current		
Term loans	**3,971,234**	4,858,897
Current		
Term loans	**900,682**	1,057,554
Finance lease liability	**-**	78,737
	900,682	1,136,291
	4,871,916	5,995,188

Finance lease liability

Finance lease liability is payable as follow:

Group	Minimum lease payments 2011 RM	Interest 2011 RM	Principal 2011 RM	Minimum lease payments 2010 RM	Interest 2010 RM	Principal 2010 RM
Less than one year	-	-	-	83,856	5,119	78,737

Security

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

15. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Trade					
Trade payables	15.1	**6,098,391**	6,146,272	**-**	-
Non-trade					
Other payables		**1,335,897**	2,994,671	**159**	-
Accruals		**5,616,649**	6,699,465	**47,600**	75,000
Amount due to a subsidiary	15.2	**-**	-	**200,289**	-
Amount due to Directors	15.3	**323,906**	334,227	**264,000**	264,000
Financial liabilities at fair value through profit or loss:					
- Held for trading : Derivatives		**355,203**	-	**-**	-
		13,730,046	16,174,635	**512,048**	339,000

Notes *to* the Financial Statements *continued*

15. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES *continued*

15.1 Trade payables

i) Credit terms of trade payables range from 30 - 60 days (2010: 30 - 60 days).
ii) Included in trade payables of the Group is an amount of RM1,347,020 (2010: RM13,224) due to a company in which certain Directors have interests.

15.2 Amount due to a subsidiary

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

15.3 Amount due to Directors

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

16. REVENUE

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Revenue				
- Sales of goods	**104,027,438**	92,187,892	-	-
- Dividends	-	-	**4,000,000**	17,500,000
	104,027,438	92,187,892	**4,000,000**	17,500,000

Notes *to* the Financial Statements *continued*

17. PROFIT FOR THE YEAR

	Note	Group 2011 RM	Group 2010 RM Restated	Company 2011 RM	Company 2010 RM
Profit for the year is arrived at after charging:					
Auditors' remuneration:					
- Statutory audit					
KPMG		**93,500**	107,500	**26,000**	55,000
Over provision in prior year		**-**	(4,000)	**-**	(4,000)
Other auditors		**104,500**	65,125	**-**	-
- Other services					
KPMG		**13,000**	13,000	**13,000**	13,000
Amortisation of prepaid lease payments	5	**64,615**	59,992	**-**	-
Depreciation of investment properties	4	**50,898**	35,532	**-**	-
Depreciation of property, plant and equipment	3	**5,217,647**	5,066,829	**-**	-
Impairment loss					
- Goodwill		**-**	204,230	**-**	-
- Trade receivables		**9,852**	79,047	**-**	-
- Other receivables		**-**	94,203	**-**	47,550
- Investment in subsidiary		**-**	-	**-**	255,000
Inventories written off		**406,559**	560,463	**-**	-
Loss on disposal of property, plant and equipment		**5,008**	196,788	**-**	-
Personnel expenses (including key management personnel):					
- Contributions to State Plans		**1,095,653**	771,954	**-**	-
- Wages, salaries and others		**9,728,811**	10,468,712	**-**	-
Realised foreign exchange loss		**383,805**	1,580,128	**-**	-
Rental expense in respect of:					
- Coldroom		**482,314**	271,913	**-**	-
- Equipment		**58,436**	81,372	**-**	-
- Hostel		**32,000**	30,800	**-**	-
- Premises		**35,280**	36,890	**-**	-
Net unrealised foreign exchange loss		**-**	119,699	**-**	3,118,532
and after crediting:					
Net unrealised foreign exchange gain		932,229	-	785,889	-
Realised foreign exchange gain		1,371,456	115	-	115
Rental income from property		342,000	342,000	-	-
Reversal of impairment loss:					
- Trade receivables		56,956	112,496	-	-

Notes *to* the Financial Statements *continued*

18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors:				
- Fees	**264,000**	257,750	**264,000**	257,750
- Other emoluments	**1,659,958**	1,671,595	-	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	**49,400**	42,524	-	-
	1,973,358	1,971,869	**264,000**	257,750
Other key management personnel:				
- Short term employee benefits	**2,512,600**	2,003,980	-	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	**26,250**	17,317	-	-
	2,538,850	2,021,297	-	-

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.

19. FINANCE INCOME

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest income of financial assets that are not at fair value through profit or loss	**188,467**	115,231	**534,972**	481,168

20. FINANCE COSTS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Finance lease liability	**5,119**	8,775	-	-
Term loans	**258,857**	308,947	-	-
	263,976	317,722	-	-
Other bank charges	**238,317**	283,063	**818**	232
	502,293	600,785	**818**	232

Notes *to* the Financial Statements *continued*

21. INCOME TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Major components of income tax expense include:				
Current tax expense				
Malaysian - current year	**3,077,419**	2,220,787	**897,209**	4,271,645
- prior years	**184,658**	590,961	**7,098**	(93,163)
Overseas - current year	**721,880**	414,604	**-**	-
Total current tax recognised in profit or loss	**3,983,957**	3,226,352	**904,307**	4,178,482
Deferred tax expense				
Origination and reversal of temporary differences	**(184,005)**	750,976	**130,332**	105,571
Under/(Over) provided in prior years	**109,389**	(326,581)	**-**	101,580
Total deferred tax recognised in profit or loss	**(74,616)**	424,395	**130,332**	207,151
Total income tax expense	**3,909,341**	3,650,747	**1,034,639**	4,385,633

Reconciliation of effective tax expense

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit for the year	**14,207,961**	14,159,201	**3,323,140**	9,631,582
Total income tax expense	**3,909,341**	3,650,747	**1,034,639**	4,385,633
Profit excluding tax	**18,117,302**	17,809,948	**4,357,779**	14,017,215
Income tax calculated using Malaysian tax rate of 25%	**4,529,326**	4,452,487	**1,089,445**	3,504,304
Effect of tax rate in foreign jurisdiction	**(387,170)**	(208,590)	**-**	-
Non-deductible expenses	**238,657**	325,585	**137,980**	872,912
Tax exempt income	**(237,737)**	(14,295)	**(205,003)**	-
Tax incentives	**(292,643)**	(301,085)	**-**	-
Double deduction on qualifying expenditures	**(256,921)**	(915,324)	**-**	-
Recognition of previously unrecognised tax losses	**-**	(72,205)	**-**	-
Change in unrecognised temporary differences	**2,679**	119,708	**-**	-
Other items	**19,103**	86	**5,119**	-
Under/(Over) provided in prior years				
- current tax expense	**184,658**	590,961	**7,098**	(93,163)
- deferred tax expense	**109,389**	(326,581)	**-**	101,580
	3,909,341	3,650,747	**1,034,639**	4,385,633

Notes *to* the Financial Statements *continued*

21. INCOME TAX EXPENSE *continued*

Income tax savings arising from tax losses

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Income tax savings arising from utilisation of prior year tax losses previously unrecognised	-	72,205	-	-

22. OTHER COMPREHENSIVE INCOME

Group	2011 Before tax RM	2011 Tax (expense)/ benefit RM	2011 Net of tax RM	2010 Before tax RM	2010 Tax (expense)/ benefit RM	2010 Net of tax RM
Foreign currency translation differences for foreign operations - Gain/(Loss) arising during the year	**1,720,037**	**-**	**1,720,037**	(1,795,690)	-	(1,795,690)

23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 31 December 2011 was based on the profit attributable to ordinary shareholders of RM14,206,301 (2010: RM14,163,461) and a weighted average number of ordinary shares outstanding of 120,000,000 (2010: 120,000,000).

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2011 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares, which comprise warrants over ordinary shares granted to entitled shareholders.

The warrants have no dilutive effect as the average market value of the Company's shares was lower than the exercise price of the warrants.

24. DIVIDENDS

Dividend recognised in the current year by the Company is:

	Sen per share (net of tax)	Total amount RM	Date of payment
2011			
Interim 2011 ordinary - tax exempt	**1.4**	**1,680,000**	**17 June 2011**
2010			
Interim 2010 ordinary - tax exempt	1.4	1,680,000	30 April 2010

Notes *to* the Financial Statements *continued*

25. OPERATING SEGMENTS

The accounting policies of the reportable segments are as described in Note 2(r).

The Group's reportable segments are organised in accordance with the Group entities, which are the Group's strategic business units. The strategic business unit offer products to different markets and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews Internal Management Reports at least on a quarterly basis. The principal activities of the Group entities and the markets they operate in (country of incorporation) are as disclosed in Note 7 to the financial statements.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Group 2011	Kawan Food Berhad RM	Kawan Food Manufacturing Sdn. Bhd. RM	KG Pastry Marketing Sdn. Bhd. RM
Segment profit/(loss)	3,823,625	12,359,437	5,925,527
Included in the measure of segment profit/(loss) are:			
Revenue from external customers	-	4,454,986	44,255,922
Inter-company revenue	4,000,000	77,870,483	673,810
Not included in the measure of segment profit but provided to Chief Executive Officer:			
Depreciation and amortisation	-	(3,881,266)	(255,516)
Finance costs	(818)	(292,897)	(8,547)
Finance income	534,972	122,239	32,106
Income tax expense	(1,034,639)	(1,923,417)	(1,396,716)
Segment assets			
Included in the measure of segment assets are:			
Additions to non-current assets other than financial instruments and deferred tax assets	-	3,645,599	139,038

Notes *to* the Financial Statements *continued*

25. OPERATING SEGMENTS *continued*

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total assets are used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Chief Executive Officer. Hence no disclosure is made on segment liabilities.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

Kayangan Manisan (M) Sdn. Bhd. RM	Kawan Food Confectionery Sdn. Bhd. RM	Kawan Food (Hong Kong) Limited RM	Kawan Food (Nantong) Co., Ltd. RM	Total RM
29,149	(5,227)	4,499,622	1,810,702	28,442,835
871,451	-	53,687,594	757,485	104,027,438
311,920	-	-	9,660,987	92,517,200
(25,704)	-	(2,525)	(1,168,149)	(5,333,160)
(58)	-	(214,017)	(464,817)	(981,154)
-	-	-	-	689,317
-	-	(721,880)	-	(5,076,652)
-	-	9,407	2,327,911	6,121,955

Notes *to* the Financial Statements *continued*

25. OPERATING SEGMENTS *continued*

Group 2010	Kawan Food Berhad RM	Kawan Food Manufacturing Sdn. Bhd. RM	KG Pastry Marketing Sdn. Bhd. RM
Segment profit/(loss)	13,536,279	20,177,999	832,439
Included in the measure of segment profit/(loss) are:			
Revenue from external customers	-	4,581,398	37,592,639
Inter-company revenue	17,500,000	75,483,284	853,902
Not included in the measure of segment profit but provided to Chief Executive Officer:			
Depreciation and amortisation	-	(3,752,262)	(364,517)
Finance costs	(232)	(349,089)	(11,923)
Finance income	481,168	67,701	45,146
Income tax expense	(4,385,633)	(3,145,292)	(243,348)
Segment assets			
Included in the measure of segment assets are:			
Additions to non-current assets other than financial instruments and deferred tax assets	-	6,587,259	646,718

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Notes *to* the Financial Statements *continued*

Kayangan Manisan (M) Sdn. Bhd. RM	Kawan Food Confectionery Sdn. Bhd. RM	Kawan Food (Hong Kong) Limited RM	Kawan Food (Nantong) Co., Ltd. RM	Total RM
(145,613)	(5,402)	2,676,950	1,525,195	38,597,847
703,991	-	48,964,281	345,583	92,187,892
284,181	-	-	8,452,429	102,573,796
(21,836)	-	(1,700)	(1,022,038)	(5,162,353)
(71)	-	(224,921)	(493,861)	(1,080,097)
-	-	-	1,106	595,121
(12,000)	-	(414,604)	-	(8,200,877)
76,518	-	2,989	1,008,261	8,321,745

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	Group 2011 RM	Group 2010 RM
Profit or loss		
Total profit or loss for reportable segments	**28,442,835**	38,597,847
Elimination of inter-segment profits	**(4,678,547)**	(15,139,992)
Depreciation and amortisation	**(5,333,160)**	(5,162,353)
Finance income	**188,467**	115,231
Finance costs	**(502,293)**	(600,785)
Consolidated profit before tax	**18,117,302**	17,809,948

Notes *to* the Financial Statements *continued*

25. OPERATING SEGMENTS *continued*

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items *continued*

	External revenue RM	Depreciation and amortisation RM	Finance costs RM	Finance income RM	Segment assets RM
2011					
Total reportable segments	196,544,638	(5,333,160)	(981,154)	689,317	234,375,588
Elimination of inter-segment transactions or balances	(92,517,200)	-	478,861	(500,850)	(104,476,899)
Consolidated total	104,027,438	(5,333,160)	(502,293)	188,467	129,898,689
2010					
Total reportable segments	194,761,688	(5,162,353)	(1,080,097)	595,121	215,855,127
Elimination of inter-segment transactions or balances	(102,573,796)	-	479,312	(479,890)	(97,185,141)
Consolidated total	92,187,892	(5,162,353)	(600,785)	115,231	118,669,986

Geographical segments

The manufacturing of frozen food products is carried out solely in Malaysia and China.

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. The amounts of non-current assets do not include financial instruments (including investments in subsidiaries) and deferred tax assets.

Geographical information

	2011		2010	
	Revenue RM	Non-current assets RM	Revenue RM	Non-current assets RM
Malaysia	45,177,481	40,286,720	38,292,023	40,680,576
Rest of Asia	12,796,107	30,849,161	12,776,386	27,539,848
Europe	11,248,809	-	10,247,460	-
North America	28,925,506	-	24,619,873	-
Oceania	5,738,679	-	6,252,150	-
Africa	140,856	-	-	-
	104,027,438	71,135,881	92,187,892	68,220,424

Major customers

The Group has one (2010: one) major customer contributing revenue greater than 10% of the Group's total revenue.

Notes *to* the Financial Statements *continued*

26. FINANCIAL INSTRUMENTS

26.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

a) Loans and receivables (L&R);
b) Fair value through profit or loss (FVTPL):
   - Held for trading (HFT);
c) Financial liabilities measured at amortised cost (FL).

	Carrying amount RM	L&R/ (FL) RM	FVTPL -HFT RM
2011			
Financial assets			
Group			
Other investment, including derivatives	5,207,687	-	5,207,687
Trade and other receivables	27,459,092	27,459,092	-
Cash and cash equivalents	16,800,116	16,800,116	-
	49,466,895	44,259,208	5,207,687
Company			
Trade and other receivables	19,733,519	19,733,519	-
Cash and cash equivalents	591,164	591,164	-
	20,324,683	20,324,683	-
Financial liabilities			
Group			
Loans and borrowings	(4,871,916)	(4,871,916)	-
Trade and other payables, including derivatives	(13,730,046)	(13,374,843)	(355,203)
	(18,601,962)	(18,246,759)	(355,203)
Company			
Trade and other payables, including derivatives	(512,048)	(512,048)	-
2010			
Financial assets			
Group			
Other investments, including derivatives	763,770	-	763,770
Trade and other receivables	18,377,777	18,377,777	-
Cash and cash equivalents	23,034,299	23,034,299	-
	42,175,846	41,412,076	763,770
Company			
Trade and other receivables	10,548,930	10,548,930	-
Cash and cash equivalents	357,450	357,450	-
	10,906,380	10,906,380	-
Financial liabilities			
Group			
Loans and borrowings	(5,995,188)	(5,995,188)	-
Trade and other payables, including derivatives	(16,174,635)	(16,174,635)	-
	(22,169,823)	(22,169,823)	-
Company			
Trade and other payables, including derivatives	(339,000)	(339,000)	-

Notes *to* the Financial Statements *continued*

26. FINANCIAL INSTRUMENTS *continued*

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Net gains/(losses) arising on:				
Fair value through profit or loss:				
- Held for trading	**(1,118,973)**	611,242	-	-
Loans and receivables	**1,865,566**	(2,148,499)	**1,320,043**	(621,749)
Financial liabilities measured at amortised cost	**(240,556)**	(356,973)	-	-
	506,037	(1,894,230)	**1,320,043**	(621,749)

26.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

26.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to a subsidiary.

Receivables

Risk management objectives, policies and processes for managing the risk
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral
As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Notes *to* the Financial Statements *continued*

26. FINANCIAL INSTRUMENTS *continued*

26.4 Credit risk *continued*

Receivables *continued*

Exposure to credit risk, credit quality and collateral *continued*

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2011 RM	**2010 RM**
Domestic	**10,993,502**	8,576,921
North America	**6,359,091**	3,590,676
Europe	**1,620,615**	556,994
Rest of Asia	**2,906,782**	1,638,582
Oceania	**2,139,523**	1,907,370
Africa	**136**	-
	24,019,649	16,270,543

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM	Individual impairment RM	Net RM
2011			
Not past due	18,838,564	-	18,838,564
Less than 30 days past due	1,938,539	-	1,938,539
31 - 90 days past due	1,754,018	-	1,754,018
More than 90 days past due	1,564,387	(75,859)	1,488,528
	24,095,508	(75,859)	24,019,649
2010			
Not past due	11,580,962	-	11,580,962
Less than 30 days past due	1,986,738	-	1,986,738
31 - 90 days past due	1,542,574	-	1,542,574
More than 90 days past due	1,283,232	(122,963)	1,160,269
	16,393,506	(122,963)	16,270,543

The movements in the allowance for impairment losses of trade receivables during the year were:

	Group	
	2011 RM	**2010 RM**
At 1 January	**122,963**	206,336
Impairment loss recognised	**9,852**	79,047
Impairment loss reversed	**(56,956)**	(112,496)
Impairment loss written off	-	(49,924)
At 31 December	**75,859**	122,963

Notes *to* the Financial Statements *continued*

26. FINANCIAL INSTRUMENTS *continued*

26.4 Credit risk *continued*

Receivables *continued*

Impairment losses *continued*

For balances which are past due but not impaired, management is monitoring individual balances closely and is confident of repayment based on subsequent collections after year end and past repayment trends of these customers.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk, credit quality and collateral
The maximum exposure to credit risk amounts to RM4,871,916 (2010: RM5,916,451) representing the outstanding banking facilities of the subsidiary as at end of the reporting period.

As at end of the reporting period, there was no indication that the subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was nil.

Inter company balances

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured advances to its subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral
As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses
As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable.

26.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Notes *to* the Financial Statements *continued*

26. FINANCIAL INSTRUMENTS *continued*

26.5 Liquidity risk *continued*

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate	Contractual cash flows RM	Less than 1 year RM	1-2 years RM	2-5 years RM
2011						
Group						
Non-derivative financial liabilities						
Secured term loans	4,871,916	4.95%	5,510,053	1,101,768	1,101,768	3,306,517
Trade and other payables**	13,374,843	-	13,374,843	13,374,843	-	-
	18,246,759		18,884,896	14,476,611	1,101,768	3,306,517
Derivatives financial liabilities						
Forward exchange contracts (gross unsettled)	355,203	-	355,203	355,203	-	-
	18,601,962		19,240,099	14,831,814	1,101,768	3,306,517
Company						
Non-derivative financial liabilities						
Trade and other payables	512,048	-	512,048	512,048	-	-
2010						
Group						
Non-derivative financial liabilities						
Secured term loans	5,916,451	4.65% to 5.2%	6,763,000	1,298,186	1,092,736	4,372,078
Finance lease liability	78,737	6.5%	83,856	83,856	-	-
Trade and other payables	16,174,635	-	16,174,635	16,174,635	-	-
	22,169,823		23,021,491	17,556,677	1,092,736	4,372,078
Company						
Non-derivative financial liabilities						
Trade and other payables	339,000	-	339,000	339,000	-	-

** The contractual cash flows of trade and other payables exclude derivatives.

Notes *to* the Financial Statements *continued*

26. FINANCIAL INSTRUMENTS *continued*

26.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

26.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD).

Risk management objectives, policies and processes for managing the risk
The Group manages its foreign currency exposure by a policy of matching as far as possible receipts and payments in each individual currency. The Group's exposure to foreign currency risk is monitored on an ongoing basis. The Group enters into forward exchange 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.

Exposure to foreign currency risk
The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group **Denominated in**	**USD** **RM**	**SGD** **RM**	**EURO** **RM**
2011			
Trade receivables	**282,422**	**1,084,321**	**-**
Cash and bank balances	**3,399,894**	**2,143,212**	**24,509**
Trade payables	**(245,030)**	**-**	**-**
	3,437,286	**3,227,533**	**24,509**
2010			
Trade receivables	43,061	662,162	-
Cash and bank balances	13,837,790	709,146	965,623
Trade payables	(341,706)	-	-
	13,539,145	1,371,308	965,623

Company	**Denominated in USD** **2011** **RM**	 **2010** **RM**
Investment in a subsidiary	**19,169,422**	18,667,272
Advances to a subsidiary	**11,332,519**	10,547,930

Currency risk sensitivity analysis
Foreign currency risk arises from Group entities which have a RM functional currency.

A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Notes *to* the Financial Statements *continued*

26. FINANCIAL INSTRUMENTS *continued*

26.6 Market risk *continued*

26.6.1 Currency risk *continued*

Currency risk sensitivity analysis *continued*

	Group		Company	
	Equity RM	Profit or loss RM	Equity RM	Profit or loss RM
2011				
USD	(1,695,503)	(257,796)	(2,287,646)	(2,287,646)
SGD	(242,035)	(242,035)	-	-
EURO	(1,838)	(1,838)	-	-
	(1,939,376)	(501,669)	(2,287,646)	(2,287,646)
2010				
USD	(2,415,090)	(1,015,271)	(2,190,914)	(2,190,914)
SGD	(102,921)	(102,921)	-	-
EURO	(72,431)	(72,431)	-	-
	(2,590,442)	(1,190,623)	(2,190,914)	(2,190,914)

A 10% weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

26.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of changes in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the 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.

Exposure to interest rate risk
The interest rate profile of the Group's and the Company's interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Fixed rates instruments				
Financial assets	**4,636,655**	2,671,977	**577,883**	344,708
Financial liabilities	**-**	(282,779)	**-**	-
	4,636,655	2,389,198	**577,883**	344,708
Floating rates instruments				
Financial liabilities	**(4,871,916)**	(5,712,409)	**-**	-

Notes *to* the Financial Statements *continued*

26. FINANCIAL INSTRUMENTS *continued*

26.6 Market risk *continued*

26.6.2 Interest rate risk *continued*

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
As changes in interest rate at the end of the reporting period would not have a significant effect on the Group's profit or loss and equity, sensitivity analysis is not presented.

26.7 Fair values of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2011		2010	
Group	**Carrying amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Unit trusts (Quoted)	**5,207,687**	**5,207,687**	-	-
Forward exchange contracts:				
(Liabilities)/Assets	**(355,203)**	**(355,203)**	763,770	763,770
Secured term loans	**(4,871,916)**	**(4,871,916)**	(5,916,451)	(5,916,451)
Finance lease liability	**-**	**-**	(78,737)	(78,737)
Company				
Advances to subsidiaries				
(interest bearing)	**11,332,519**	**11,332,519**	10,547,930	10,547,930

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Investment in unit trusts (Quoted)
The fair values of financial assets that are quoted in an active market are determined by reference to the quoted closing bid price at the end of the reporting period.

Derivatives
The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Notes *to* the Financial Statements *continued*

26. FINANCIAL INSTRUMENTS *continued*

26.7 Fair values of financial instruments *continued*

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2011	2010
Secured term	**4.95%**	5.20%
Finance leases	-	6.00%

26.7.1 Fair values hierarchy

Comparable figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follow:

- Level 1: Quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

2011	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**
Financial assets			
Unit trusts (Quoted)	5,207,687	-	-
Financial liabilities			
Forward exchange contracts	-	(355,203)	-

27. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with regulatory requirements.

There were no changes in the Group's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less RM40 million. The Company has complied with this requirement.

Notes *to* the Financial Statements *continued*

28. CAPITAL AND OTHER COMMITMENTS

	Group 2011 RM	Group 2010 RM
Capital expenditure commitments		
Property, plant and equipment		
Authorised but not contracted for	-	28,293,000
Contracted but not provided for and payable:		
Within one year	**12,012,207**	4,049,700
	12,012,207	32,342,700

29. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group 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 include all the Directors of the Group, and certain members of senior management of the Group.

	Amount transacted for the year ended 31 December RM	Gross balance outstanding as at 31 December RM	Net balance outstanding as at 31 December RM
Company - 2011			
Subsidiaries			
Kawan Food Manufacturing Sdn. Bhd.			
Advances receivable	(8,400,000)	8,400,000	8,400,000
Advances payable	200,289	(200,289)	(200,289)
Kawan Food (Nantong) Co., Ltd.			
Advances receivable	-	9,974,917	9,974,917
Interest income on advances receivable	(500,850)	1,357,602	1,357,602
Company - 2010			
Subsidiaries			
Kawan Food Manufacturing Sdn. Bhd.			
Advances payable	659,193	-	-
Dividends receivable	(17,500,000)	7,875,000	7,875,000
Kawan Food (Nantong) Co., Ltd.			
Advances receivable	(2,150,950)	9,719,325	9,719,325
Interest income on advances receivable	(479,890)	828,605	828,605

Notes *to* the Financial Statements *continued*

29. RELATED PARTIES *continued*

Identity of related parties *continued*

Group - 2011	Amount transacted for the year ended 31 December RM	Gross balance outstanding as at 31 December RM	Net balance outstanding as at 31 December RM
A company in which Gan Thiam Chai, a Director of the Company has interests:			
Hot & Roll Sdn Bhd			
Sales	(420,659)	77,423	77,423
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	(654,433)	208,914	208,914
Purchases	688,745	(138,487)	(138,487)
A company in which the daughter of Gan Thiam Chai and Kwan Sok Kay, son of Gan Thiam Hock, Directors of the Company have interests:			
Food Valley Sdn Bhd			
Purchases	7,515,736	(1,208,533)	(1,208,533)
A company in which Nareshchandra Gordhandas, a Director of the Company has interests:			
Shana Foods Limited			
Sales	(8,071,595)	1,085,189	1,085,189
Rubicon Food Products Limited			
Sales	(2,377,483)	320,219	320,219
Group - 2010			
A company in which Gan Thiam Chai, a Director of the Company has interests:			
Hot & Roll Sdn Bhd			
Sales	(235,446)	21,872	21,872
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	(779,862)	299,149	299,149
Purchases	463,952	(13,224)	(13,224)
A company in which Nareshchandra Gordhandas, a Director of the Company has interests:			
Shana Foods Limited			
Sales	(9,051,869)	360,686	360,686
Rubicon Food Products Limited			
Sales	(1,797,925)	92,056	92,056

All of the above outstanding balances are expected to be settled in cash by/to the related parties.

Notes *to* the Financial Statements *continued*

30. SUBSEQUENT EVENTS

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

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

31. COMPARATIVE FIGURES

31.1 FRS 117, *Leases*

The leasehold land of a subsidiary, which in substance is an operating lease in accordance with FRS 117, *Leases*, has been classified as property, plant and equipment instead of prepaid lease payments in prior years. The effects of the re-classification are disclosed below:

	Group			
	31.12.2010		1.1.2010	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
Statements of financial position				
Property, plant and equipment	62,703,736	65,463,447	62,304,112	65,331,946
Prepaid lease payments	2,759,711	-	3,027,834	-

31.2 Advances to a subsidiary

In the previous financial year, the advances to a subsidiary were classified as current assets instead of non-current assets in trade and other receivables. The effects of the re-classification are disclosed below:

	Company	
	31.12.2010	
	As restated RM	As previously stated RM
Statements of financial position		
Trade and other receivables		
- Non-current assets	5,122,626	3,486,530
- Current assets	5,426,304	7,062,400

Notes *to* the Financial Statements *continued*

31. COMPARATIVE FIGURES *continued*

31.3 Conformity with current year's presentation

The following comparative figures have been restated to conform with current year's presentation:

	Group 31.12.2010 As restated RM	Group 31.12.2010 As previously stated RM
Statements of cash flows		
Changes in trade and other receivables, prepayments and other financial assets	(918,156)	(1,438,091)
Effect of exchange rate fluctuations on cash held	(312,070)	207,865

Notes *to* the Financial Statements *continued*

32. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFIT OR LOSS

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2011, into realised and unrealised profits, pursuant to Paragraph 2.06 and 2.33 of Bursa Malaysia Main Market Listing requirements, are as follows:

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
The retained earnings of the Company and its subsidiaries:				
- Realised	**75,613,387**	63,249,625	**16,756,303**	15,768,720
- Unrealised	**(6,330,154)**	(7,027,593)	**(2,948,075)**	(3,603,632)
	69,283,233	56,222,032	**13,808,228**	12,165,088
Less: Consolidation adjustments	**(22,181,238)**	(21,646,338)	-	-
Total group retained earnings as per consolidated accounts	**47,101,995**	34,575,694	**13,808,228**	12,165,088

The determination of realised and unrealised profits is based on the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

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 41 to 97 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 2011 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 32 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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: 25 April 2012

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 41 to 98 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 on 25 April 2012.

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 statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 97.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 2011 and of their financial performance and cash flows for the year then ended.

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 7 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.

Independent Auditors' Report *to the members of Kawan Food Berhad continued*

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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: 2823/04/13(J)
Chartered Accountant

Petaling Jaya,
Date: 25 April 2012

List *of* Properties

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ 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, 40200 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	32 years	28 May 2004	7,337.24 sq. metres/ 6,417.91 sq. metres	23 May 2007	6,160,997
• 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	13 years	31 May 2005	289.86 sq. metres/ 254 sq. metres	2 November 1998	325,871
• 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	22 years	28 June 1999	4,484 sq. metres/ 3,149.43 sq. metres	24 September 1990	1,925,344
• 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	22 years	25 May 2005	21,796 sq. metres/ 3,584.91 sq. metres	7 May 1990	7,513,193
• 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	12 years	16 May 2003	67.85 sq. metres	27 March 2003	53,733

List *of* Properties *continued*

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ 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	12 years	29 July 2003	67.85 sq. metres	27 March 2003	49,991
• 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	12 years	16 May 2003	67.85 sq. metres	27 March 2003	53,733
• 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	12 years	29 July 2003	67.85 sq. metres	27 March 2003	49,991
• 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	11 years	21 February 2001	69.52 sq. metres	26 October 2004	47,550

List *of* Properties *continued*

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ 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	11 years	21 February 2001	69.52 sq. metres	26 October 2004	47,550
• 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	11 years	21 February 2001	69.52 sq. metres	26 October 2004	47,550
• 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	11 years	21 February 2001	69.52 sq. metres	26 October 2004	47,550

List *of* Properties *continued*

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ 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	11 years	21 February 2001	69.52 sq. metres	26 October 2004	47,550
••• 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	3 years	26 December 2006	40,773.90 sq. metres/ 16,000 sq. metres	N/A	17,362,389
••• Apartment at Unit 306, Building No. 11, 107 Xinkai Road, NETDA, Jiangsu Province, 226009 China	Apartment	Leasehold interest for a term of 70 years expiring on 19 August 2074	6 years	19 January 2007	223.44 sq. metres	N/A	411,238
••• Apartment at Unit 2904 Building No. 9, Zhongnan Century City, Chongch-uan District, Nantong, Jiangsu Province, 226009 China	Apartment	Leasehold interest for a term of 75 years expiring on 1 April 2075	3 years	30 December 2006	179.42 sq. metres	N/A	490,604

• 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 March 2012)*

ORDINARY SHARES

Authorised Share Capital	: RM100,000,000.00 (200,000,000 Ordinary Shares of RM0.50 each)
Issued and Fully Paid Share Capital	: RM60,000,000.00 (120,000,000 Ordinary Shares of RM0.50 each)
Class of Shares	: Ordinary Shares of RM0.50 each
Voting Rights	: One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	30	2.40	907	0.00
100 to 1,000	665	53.25	126,504	0.11
1,001 to 10,000	340	27.22	1,637,450	1.36
10,001 to 100,000	163	13.05	5,273,045	4.39
100,001 to less than 5% of issued shares	47	3.76	25,842,100	21.54
5% and above of issued shares	4	0.32	87,119,994	72.60
Total	**1,249**	**100.00**	**120,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS
(As per Register of Substantial Shareholders as at 30 March 2012)

	Direct		Indirect	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. 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	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.

STATEMENT OF DIRECTORS' SHAREHOLDINGS
(As per Register of Directors' Shareholdings as at 30 March 2012)

	Direct		Indirect	
Name of Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
1. Gan Thiam Chai	39,959,994	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 March 2012) continued*

LIST OF THIRTY (30) LARGEST SHAREHOLDERS *as at 30 March 2012*

(Without aggregating the securities from different securities accounts belonging to same person)

No.	Name of Shareholders	No. 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.	HLG Nominee (Asing) Sdn Bhd Hong Leong Bank Bhd for Wu Chung Chen	2,000,000	1.67
7.	Kong Poh Yin	1,993,500	1.66
8.	Kwan Sok Kay	1,780,500	1.48
9.	Yap Sook Chen	1,075,200	0.90
10.	HLG Nominee (Asing) Sdn Bhd Hong Leong Bank Bhd for Chen Tsai Tien	1,018,050	0.85
11.	HLG Nominee (Asing) Sdn Bhd Hong Leong Bank Bhd for Chiang Peter	868,000	0.72
12.	Lai Yew Chung	793,000	0.66
13.	Maybank 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.	HLG Nominee (Asing) Sdn Bhd Hong Leong Bank Bhd for Wu Chia Lung	719,850	0.60
16.	HLG Nominee (Asing) Sdn Bhd Hong Leong Bank Bhd for Wong Chi Fu	655,200	0.55
17.	Loh Ah Heng	645,500	0.54
18.	TA Securities Holdings Berhad IVT (DDG)	610,000	0.51
19.	Lai Yew Weng	580,200	0.48
20.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Ibrahim Bin Mohd Zain (DLR 065-Margin)	500,000	0.42
21.	Lydia Claire Lim Lih Yueah	492,000	0.41
22.	Lim Seong Tin	474,000	0.40
23.	Amanahraya Trustees Berhad Public Far-East Consumer Themes Fund	438,800	0.37
24.	Teo Kwee Hock	389,700	0.32
25.	Leong Kim Mooi	389,500	0.32
26.	Min Seng Realty Sdn Bhd	352,150	0.29
27.	Lim Chai Chang	330,000	0.28
28.	Chua Sook Ming	324,350	0.27
29.	Chang Kok Fai	287,000	0.24
30.	Lorna Marie Koh	262,500	0.22
	Total	**109,619,894**	**91.36**

Analysis *of* Warrant Holdings *(As Per Record of Depositors as at 30 March 2012)*

No. of Free Warrants in issue	: 60,000,000
Voting Rights	: One (1) vote per Warrant in respect of Warrant Holders' Meeting

DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	%. of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	628	52.55	44,677	0.07
100 to 1,000	129	10.80	85,000	0.14
1,001 to 10,000	284	23.77	1,187,425	1.98
10,001 to 100,000	117	9.79	3,651,522	6.09
100,001 to less than 5% of issued warrants	33	2.76	11,471,375	19.12
5% and above of issued warrants	4	0.33	43,560,001	72.60
Total	**1,195**	**100.00**	**60,000,000**	**100.00**

DIRECTORS' WARRANT HOLDINGS

(As per Register of Directors' Warrant Holdings as at 30 March 2012)

	Direct		Indirect	
Name of Directors	**No. of Warrants**	**%**	**No. of Warrants**	**%**
1. Gan Thiam Chai	19,980,001	33.30	-	-
2. Gan Thiam Hock	5,040,000	8.40	-	-
3. Kwan Sok Kay	5,030,250	8.38	-	-
4. Chen Seng Chong	112,500	0.19	-	-
5. Lim Peng @ Lim Pang Tun	75,000	0.13	-	-
6. Soo Yoke Mun	-	-	-	-
7. Jayendra Janardan Ved	-	-	-	-
8. Nareshchandra Gordhandas Nagrecha	-	-	14,400,000*	24

Note:-

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

Analysis *of* Warrant Holdings *(As Per Record of Depositors as at 30 March 2012) continued*

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS *as at 30 March 2012*

No.	Name of Warrant Holders	No. of Warrants	%
1.	Gan Thiam Chai	19,980,001	33.30
2.	Goshenite Limited	14,400,000	24.00
3.	Gan Thiam Hock	5,040,000	8.40
4.	Kwan Sok Kay	4,140,000	6.90
5.	Niels John Madsen	2,004,750	3.34
6.	Kong Poh Yin	996,750	1.66
7.	Kwan Sok Kay	890,250	1.48
8.	HLG Nominee (Asing) Sdn Bhd Hong Leong Bank Bhd for Wu Chung Chen	715,500	1.19
9.	Yap Sook Chen	537,600	0.90
10.	ECML Nominees (Temapatan) Sdn Bhd Pledged Securities Account for Heng Yong Kang @ Wang Yong Kang (08HE101Q1-008)	530,000	0.88
11.	HLG Nominee (Asing) Sdn Bhd Hong Leong Bank Bhd for Chen Tsai Tien	509,025	0.85
12.	HLG Nominee (Asing) Sdn Bhd Hong Leong Bank Bhd for Chiang Peter	434,000	0.72
13.	Lai Yew Chung	396,500	0.66
14.	Maybank Securities Nominees (Asing) Sdn Bhd Pledged Securities Account for Shah Kamal Kant Zaver Chand (Dealer 065)	386,175	0.64
15.	HLG Nominee (Asing) Sdn Bhd Hong Leong Bank Bhd for Wu Chia Lung	359,925	0.60
16.	HLG Nominee (Asing) Sdn Bhd Hong Leong Bank Bhd for Wong Chi Fu	327,600	0.55
17.	Loh Ah Heng	322,750	0.54
18.	Lydia Claire Lim Lih Yueah	237,500	0.40
19.	Lim Seong Tin	237,000	0.40
20.	Amanahraya Trustees Berhad Public Far-East Consumer Themes Fund	219,400	0.37
21.	Leong Kim Mooi	192,250	0.32
22.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Siew Chee	187,500	0.31
23.	Min Seng Realty Sdn Bhd	176,075	0.29
24.	Lim Chai Chang	165,000	0.28
25.	Chua Sook Ming CIMB Bank for Len Book Learn (M66002)	162,175	0.27
28.	Mah Yat Ming	137,000	0.23
29.	Lorna Marie Koh	131,250	0.22
30.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Felix Miller	121,750	0.20
	Total	**54,234,976**	**90.39**

APPENDIX I

Special Resolution – Proposed Amendments to the Company's Articles of Association

THAT the Articles of Association of the Company be amended in the following manner :-

Article No.	Existing Articles	Amended Articles
2 **Interpretation**	**Words**: - **Meanings**: No Provision	**Words**: Exempt Authorised Nominee **Meanings**: An authorised nominee defined under the Central Depositories Act which is exempted from compliance with provisions of subsection 25A(1) of the Central Depositories Act.
66 **Right to vote**	Subject to any rights or restrictions for the time being attaching to any class or classes of shares, at meetings of members or of classes of members each member entitled to vote may vote in person or by proxy or by attorney or by representative and on a show of hands every person present who is a member or a representative or a proxy or an attorney of a member shall have one vote, and on a poll every member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every such share he holds.	Subject to any rights or restrictions for the time being attaching to any class or classes of shares, at meetings of members or of classes of members, each member entitled to **be present and** vote may vote in person or by proxy or by attorney or by representative and **on a resolution to be decided by** on a show of hands every person present who is a member or a representative or a proxy or an attorney of a member shall have one **(1)** vote, and **on a resolution to be decided by** a poll every member present in person or by proxy or by attorney or other duly authorised representative shall have one **(1)** vote for every such share he holds. **A proxy appointed to attend and vote at the meeting of the Company shall have the same rights as the member to speak at the meeting.**
71 **Number of proxy**	A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.	A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. **Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), the exempt authorised nominee may appoint any number of proxy (no limit) in respect of each omnibus account it holds**.
72 **Proxy to be in writing**	The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. The Directors may but shall not be bound to require evidence of the authority of any such attorney or officer. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.	The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. The Directors may but shall not be bound to require evidence of the authority of any such attorney or officer. A proxy may but need not be a member of the Company. **There shall be no restriction as to the qualification of the proxy** and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
74 **Instrument appointing proxy to be deposited**	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 of the Company, or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.	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 of the Company, or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid. **The completed instrument appointing a proxy once deposited will not preclude the member from attending and voting in person at the general meeting should the Member subsequently wish to do so.**

KAWAN Food Berhad 640445-V • Incorporated in Malaysia

Form *of* Proxy

EIGHTH ANNUAL GENERAL MEETING

I/We

NRIC No./Company No. of

being a member / members of **KAWAN FOOD BERHAD** hereby appoint *the Chairman of the meeting or

NRIC No.

of

or failing whom NRIC No.

of

as *my/our proxy(ies) to vote for *me/us and on *my/our behalf at the Eighth Annual General Meeting of the Company to be held at **Ivory II, Holiday Villa Subang, 9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Thursday, 31 May 2012 at 10.00 a.m.** and at any adjournment thereof.

*My/Our proxy(ies) is/are to vote as indicated below:-

No.	Resolutions	FOR	AGAINST
1.	To approve the payment of Directors' fees for the financial year ended 31 December 2011		
2.	To re-elect Mr. Lim Peng @ Lim Pang Tun as Director		
3.	To re-elect Mr. Jayendra Janardan Ved as Director		
4.	To re-elect Mr. Nareshchandra Gordhandas Nagarecha as Director		
5.	To re-appoint Messrs KPMG as the Company's Auditors and to authorise the Board of Directors to fix their remuneration		
6.	Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
7.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Shana Foods Limited, Rubicon Food Products Limited, K.C. Belight Food Industry (M) Sdn. Bhd. and Food Valley Sdn. Bhd.		
8.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue of Trading Nature with Hot & Roll Sdn. Bhd.		
9.	Proposed Amendments to the Company's Articles of Association		

[Please indicate with (X) how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his(her) discretion]

Dated this

Number of ordinary shares held :

CDS Account No.:

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 Company Secretary's Office at Strategy Corporate Secretariat Sdn Bhd, Unit 07-02, Level 7, Persoft Tower, 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.

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STAMP

THE COMPANY SECRETARY

KAWAN Food Berhad 640445-V
Unit 07-02, Level 7, Persoft Tower
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan, Malaysia

please fold here

2011

KAWAN Food Berhad 640445-V (Incorporated in Malaysia)

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