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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

SHARE 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 Ninth Annual General Meeting of
KAWAN FOOD BERHAD will be held at
Ivory 12, Holiday Villa Subang, 9, Jalan SS12/1,
Subang Jaya, 47500 Petaling Jaya, Selangor
Darul Ehsan on Friday, 31 May 2013
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 2012 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of Directors' fees for the financial year ended 31 December 2012.
3. To re-elect the following Directors who retire pursuant to Article 80 of the Company's Articles of Association:-
 - (a) Mr. Gan Thiam Chai
 - (b) Mr. Gan Thiam Hock
 - (c) Mr. Chen Seng Chong

Note B

Resolution 1

Resolution 2

Resolution 3

Resolution 4

4. To appoint Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

Resolution 5

Notice of Nomination from a shareholder pursuant to Section 172(1) of the Companies Act, 1965, a copy of which is annexed in the 2012 Annual Report as "Appendix I" have been received by the Company for the nomination of Messrs. Cheng & Co. for appointment as Auditors in place of the retiring Auditors, Messrs. KPMG and of the intention to propose the following Ordinary Resolution:

" **THAT** Messrs. Cheng & Co. be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. KPMG and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

SPECIAL BUSINESS:-

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

5.1 Ordinary Resolution 1

Authority for 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 10% 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 **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Malaysia Securities Berhad **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

5.2 Ordinary Resolution 2

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Shana Foods Limited and Rubicon Food Products Limited ("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 and Rubicon Food Products Limited as specified in Section 2.2 of the Circular to Shareholders dated 9 May 2013, 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."

Notice of Annual General Meeting *continued*

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."

5.3 Ordinary Resolution 3

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with K.C. Belight Food Industry (M) Sdn. Bhd., Food Valley Sdn. Bhd. and Hot & Roll Sdn. Bhd. ("Proposed Renewal of Shareholders' Mandate")

" **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 K.C. Belight Food Industry (M) Sdn. Bhd., Food Valley Sdn. Bhd. and Hot & Roll Sdn. Bhd. as specified in Section 2.2 of the Circular to Shareholders dated 9 May 2013, 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.

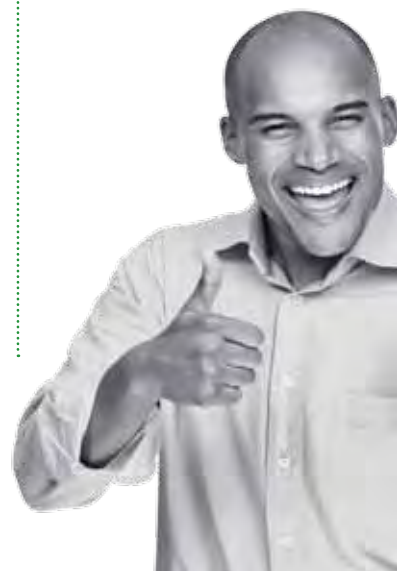
THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Renewal of Shareholders'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

Resolution 8



Notice of Annual General Meeting *continued*

5.4 Special Resolution

Proposed Amendments to the Company's Articles of Association

" THAT the proposed amendments to the Articles of Association of the Company as contained in Appendix II of the 2012 Annual Report be and are hereby approved and adopted AND THAT the Directors and Secretary be and are hereby authorised to carry all the necessary steps to give effect to the amendments."

6. To transact any other ordinary business of the Company of 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

KAWAN FOOD BERHAD

NG YIM KONG (LS0009297)

Company Secretary

Selangor Darul Ehsan

9 May 2013

Resolution 9

Notes:-

A. PROXY

1. In respect of the deposited securities, only members whose names appear in the Record of Depositors as at 23 May 2013 will be entitled to attend, speak and vote at the Meeting.
2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy in his / her stead.
3. A proxy may but need not be a member of the Company and the provision of Section 149(1) (b) of the Act shall not apply to the Company.
4. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. Where a member appoints more than two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his shareholdings to be represented by each proxy.
5. 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 in writing.
6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy must be deposited at the Company's 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 forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

B. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

This agenda item is meant for discussion only as the provisions of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the said Audited Financial Statements by the shareholders. Hence, this agenda item is not subject to voting by the shareholders.

C. EXPLANATORY NOTES ON SPECIAL BUSINESS

Resolution 6 - Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965

This resolution is proposed pursuant to Section 132D of the Companies Act, 1965, and if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares in the Company up to and not exceeding in total ten per cent (10%) of the issued and paid-up share capital of the Company for the time being and for such purposes as the Directors deem fit and in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

This mandate is a renewal of the last mandate granted to the Directors at the Eighth Annual General Meeting held on 31 May 2012 which will lapse at the conclusion of the Ninth Annual General Meeting.

The renewal of this mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment, working capital and/or acquisition or to issue new shares as consideration for investments and/or acquisition which the Directors consider would be in the best interest of the Company.

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

Resolutions 7 and 8 - Proposed Renewal of Shareholders' Mandate

The Proposed Ordinary Resolutions under items 5.2 and 5.3 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 2013 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 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 2013 enclosed together with the Company's 2012 Annual Report.

Resolution 9 - Proposed Amendments to the Company's Articles of Association ("Proposed Amendments")

The Proposed Amendments are to streamline the Company's Articles of Association to be aligned with the amendments to the Main Market Listing Requirements. The details of the Proposed Amendments are as set out in Appendix II on page 111 of the 2012 Annual Report.

Chief Executive Officer's Profile

JON FANG NEE CHOONG

Chief Executive Officer

Jon Fang Nee Choong, aged 52, 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 good companies including a stint in a subsidiary of a public listed company in Malaysia where he successfully executed turnaround management of a 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' Profiles



GAN THIAM CHAI

Executive Chairman

Gan Thiam Chai ("T.C. Gan"), aged 59, 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 brother to Mr. Gan Thiam Hock. He has no conflict of interest 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 five (5) Board Meetings held during the financial year ended 31 December 2012.

GAN THIAM HOCK

Non-Independent
Executive Director

Gan Thiam Hock ("T.H. Gan"), aged 50, a Malaysian, was appointed to the Board on 1 June 2005. He is also the Chairman of the Remuneration Committee of the Company.

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 to Mr. T.C. Gan and brother-in-law to Mdm. Kwan Sok Kay. He has no conflict of interest 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 five (5) Board Meetings held during the financial year ended 31 December 2012.

KWAN SOK KAY

Non-Independent
Executive Director

Kwan Sok Kay, aged 58, 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 sister-in-law to Mr. T.H. Gan. She has no conflict of interest with the Company except that he 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 five (5) Board Meetings held during the financial year ended 31 December 2012.

Directors' Profiles *continued*

CHEN SENG CHONG

Senior Independent
Non-Executive Director

Chen Seng Chong, aged 64, a Malaysian, was appointed to the Board on 16 May 2005. He is also the Chairman of the Nomination Committee, a member of the Audit Committee and Remuneration Committee of the Company.

Mr. Chen graduated with a Bachelor of Engineering (Hons) degree from the University of Malaya in 1973. Upon graduation he started work with Impact Industries Sdn. Bhd. as Plant Engineer. Later in the year, he joined the then Federal Industrial Development Authority (later re-named Malaysian Industrial Development Authority and 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 three (3) out of five (5) Board Meetings held during the financial year ended 31 December 2012.

LIM PENG @ LIM PANG TUN

Independent
Non-Executive Director

Lim Peng @ Lim Pang Tun, aged 57, 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 of the Company.

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 30 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 five (5) Board Meetings held during the financial year ended 31 December 2012.

SOO YOKE MUN

Independent
Non-Executive Director

Soo Yoke Mun, aged 63, a Malaysian, was appointed to the Board on 23 January 2009. He is a member of the Audit Committee of the Company.

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

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

Mr. Soo does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2012.



Directors' Profiles *continued*

JAYENDRA JANARDAN VED

Non-Independent

Non-Executive Director

Jayendra Janardan Ved, aged 50, 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 investment, buying and selling companies as well as entrepreneurial businesses. His regular client work includes strategic tax advice, raising finance, corporate structuring and general commercial advice as well as accounting and audits of small and larger private companies.

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

Mr. Ved does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years. He attended three (3) out of five (5) Board Meetings held during the financial year ended 31 December 2012.

NARESHCHANDRA

GORDHANDAS NAGRECHA

Non-Independent

Non-Executive Director

Nareshchandra Gordhandas Nagrecha, aged 62, a British, was appointed to the Board on 31 December 2009. He is a member of the Nomination Committee of the Company.

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, India. 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 Sanskrit 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. He has never been convicted for any offence within the past ten (10) years. He attended four (4) out of five (5) Board Meetings held during the financial year ended 31 December 2012.



Group Corporate Structure



Group Financial Highlights



2012

2011

2010

2009

2008

KEY RESULTS (RM'000)

Revenue	110,227	104,027	92,188	87,635	75,225
Operating profit (EBITDA)	23,134	23,526	23,175	21,955	15,627
Profit before tax	16,881	18,117	17,810	17,749	12,102
Net profit attributable to shareholders of the Company	13,545	14,206	14,163	13,575	9,491

BALANCE SHEET AND OTHER KEY DATA (RM'000)

Total assets	140,919	129,899	118,670	109,070	89,878
Total liabilities	22,122	21,697	24,717	25,952	18,312
Share capital (Ordinary shares of RM0.50 each)	60,000	60,000	60,000	60,000	60,000
Equity attributable to shareholders of the Company	118,808	108,200	93,953	83,113	71,549
Total borrowings	3,991	4,872	5,995	8,042	2,366
Total equity	118,796	108,201	93,953	83,117	71,565
Net cash from operating activities	23,055	7,156	18,322	16,532	15,399
Cash and cash equivalents	25,614	16,800	23,034	16,627	9,529

FINANCIAL RATIOS

Revenue growth (%)	5.96	12.84	5.20	16.50	24.62
Current ratio (times)	3.5	3.8	2.9	2.3	2.2
Cash ratio (times)	1.5	1.1	1.3	0.9	0.7
P/E ratio (times)	7.66	8.45	12.29	11.40	8.60
Total borrowings/Equity (%)	3.36	4.50	6.38	9.68	3.31
Long term borrowings/Equity (%)	2.58	3.67	5.17	7.21	1.84

SHARE INFORMATION

Basic earnings per share (sen)	11.29	11.84	11.80	11.31	7.91
Dividend per share (sen)	1.80	1.40	1.40	-	1.40
Net assets per share attributable to shareholders of the Company (RM)	0.99	0.90	0.78	0.69	0.60
Share price - High (RM)	1.10	1.42	1.67	1.61	0.99
Share price - Low (RM)	0.80	0.80	1.00	0.85	0.315
Share price as at 31 December (RM)	0.865	1.00	1.45	1.29	0.68
Company market capitalisation (RM'000)	120,000	120,000	174,000	154,800	81,600

Executive Chairman Statement Love & Passion *in achieving* The Best

On behalf of the Board of Directors, it is my 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 2012.





Executive Chairman's Statement *continued*

FINANCIAL HIGHLIGHTS

The year 2012 had been a challenging one for the Group with the sentiments in Europe not being too promising. Despite that, the Group still managed to grow the business to close the year with RM110 million, which was a 6% growth, compared to year 2011. The largest growth contributor this year came from our domestic sales.

Profit before tax at RM16.881 million was lower compared to RM18.117 million in the year before. Consequently, profit after tax amounted to RM13.531 million which was a slight drop from the year before.

For the year under review, the profitability was impacted by a combination of factors which include the start of the commoditizing of one of our key product, Paratha as well as a sharp drop in sales in Europe. Costs have also continued to escalate but the Group is now working on all possible ways to increase our efficiency to minimize the impact of all the cost increases.

DIVIDEND

On 2 May 2012, the Company declared an interim dividend of 2.4 sen per ordinary share less income tax at 25% amounting RM2.160 million in respect of the financial year ended 31 December 2012. The dividend was paid on 31 May 2012. The Board does not recommend any final dividend to be paid for the year under review.

CORPORATE SOCIAL RESPONSIBILITY

In our continuous efforts to cultivate and promote healthy lifestyle amongst our staff members, the Group has fully sponsored whoever who was interested in the Kuala Lumpur Marathon and this had received a favorable response from my fellow colleagues.

Throughout the year, the Group has also had the opportunity to get closer to the needy community and give them back something. During the Chinese New Year, the Group visited a few old folks home to share with them our KG Gold Cake and also mandarin oranges. Although our gifts were not exorbitant, the Group could sense their appreciation just from their gestures.

During Ramadhan, the Group partnered with a local hotel and became sponsors to their "Berbuka Puasa bersama Anak Yatim" event. This event turned out to be a success and all the children returned home happy.

On top of that, the Group had decided to do something differently this year. Instead of giving out our own food products, the Group wanted to promote the importance of good personal hygiene. The Group therefore bought personal care products and donated them to a few orphanages.



Executive Chairman's Statement *continued*

OUTLOOK AND PROSPECTS

I have mentioned last year that the Group has acquired a piece of land located at the Selangor Halal Hub in Pulau Indah to pave way for our expansion plans. Although the plan to build the larger factory had been delayed slightly, it will still go on and the Group is targeting for the factory to be up and running in 24 months' time. Planning has started and building works should commence by this year.

New innovative production lines are also being planned for the new factory to keep ourselves in front of the competition as well improving on our efficiency to save any cost the Group can whilst some of our products continue to be commoditized.

On the business front, the Group continues to put its focus on three (3) emerging markets which include China, India and Indonesia. Apart from exports, the factory in China is currently supplying to the local market and sales are trending on a positive note. Continuous efforts are still being put to further strengthen our positions in both India and Indonesia where the market trend there seems to be booming.

Apart from that, our R&D team is constantly striving to improve on our existing products and also to produce new innovative products that are healthy and convenient. The launch of our Reduced Fat Paratha had so far been getting a very good response in key markets such as USA and Australia.

Looking forward, the Group is very well aware of the challenges ahead, in particular with the crisis in Europe where efforts are also given a priority. The volatility of the US dollar shall still be monitored closely.

APPRECIATION

On behalf of the Group, I would like to say a big thank you to all our valued customers, business partners, suppliers, bankers and associates for their ongoing support and being a part of our success.

I'm very proud to have a great team which include the Board of Directors, the Management team and the entire staff force of the Group. Without their immense hard work and invaluable contribution, the Group wouldn't be where it is today. With their support, I'm sure the Group will continue to flourish and greater heights can surely be achieved.

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 2012 ("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 recommendations of the Code during the financial year ended 31 December 2012.

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 appropriately delegated specific task to three (3) Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee. These Committees have wide ranging authorities and make recommendations to the Board which holds the ultimate responsibility.

However, the Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions such as:-

- Reviewing and adopting a strategic plan for the Company.
- Overseeing the conduct of the Company's business.
- Identifying principal risks and ensuring the implementation of appropriate actions/controls and mitigation measures.
- Investment and divestment.

In line with the recommendations of the Code, the Board will formalise its roles and responsibilities in a Board Charter.

BOARD BALANCE AND COMPOSITION

The Board currently has eight (8) Directors, comprising an Executive Chairman, two (2) Executive Directors, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The profile of each Director is presented on pages 9 to 11 of this Annual Report.

In line with the recommendations of the Code, the Board will formalise a Code of Business Ethics for Directors and the Management of the Group.

The composition of the Board has complied with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires that at least two (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 Independent Directors are independent of the management and are free from any business and other relationship which could interfere with their exercise of independent judgement or the ability to act in the best interest of the Company.

The Executive Chairman is responsible for the business direction and development of the Group whilst the Management is responsible for the day-to-day management of the operations of the Group.

The Code states that the Board must comprise a majority of independent directors where the Chairman is not an independent director. The Executive Chairman, Mr. Gan Thiam Chai who was appointed as Chairman after taking into account his vast experience in the manufacture, sale, trading and distribution of frozen food products. Mr. Gan Thiam Chai is also the promoter and founder of the KFB Group.

Statement on Corporate Governance *continued*

In spite of the Chairman not being an Independent Director, the Board believes that the interests of the shareholders and the Company are protected by the strong presence of Independent Directors in the Board who neither have any family relationship with any Director and/or major shareholders of the Company and have no conflict of interest with the Company. In addition, Mr. Chen Seng Chong is the Senior Independent Non-Executive Director to whom concerns relating to the Company may be addressed.

The positions of the Chairman and of Chief Executive Officer ("CEO") are held by different individuals whilst Mr. Gan Thiam Chai is the Executive Chairman, the position CEO is held by Mr. Jon Fang Nee Choong who is not a Director of the Company.

BOARD MEETINGS

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

During the financial year ended 31 December 2012, the Board met five (5) times, with details of the attendance as follows:-

Name of Directors	Number of Board Meetings Attended
GAN THIAM CHAI	5/5
GAN THIAM HOCK	5/5
KWAN SOK KAY	5/5
LIM PENG @ LIM PANG TUN	5/5
CHEN SENG CHONG	3/5
SOO YOKE MUN	5/5
JAYENDRA JANARDAN VED	3/5
NARESHCHANDRA GORDHANDAS NAGRECHA	4/5

DIRECTORS' TRAINING

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

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 2012, the external training programmes and seminars attended by the Directors are as follows:-

Name of Directors	Courses / Seminar / Conference
GAN THIAM CHAI	The Malaysian Code on Corporate Governance 2012
KWAN SOK KAY	The Malaysian Code on Corporate Governance 2012
GAN THIAM HOCK	The Malaysian Code on Corporate Governance 2012
LIM PENG @ LIM PANG TUN	Corporate Governance, Risk and Market Discipline Strategic Leadership and Growth Governance Risk Management & Compliance: What Directors Should Know The Malaysian Code on Corporate Governance 2012
CHEN SENG CHONG	Corporate Governance Blueprint and Malaysian Code of Corporate Governance 2012 Governance Risk Management & Compliance: What Directors Should Know Legal and Regulatory Expectations Concerning Responsibilities and Obligations of Independent Directors
SOO YOKE MUN	National Tax Conference 2012 Budget 2013 Seminar MIA International Accountant Conference 2012 The Malaysian Code on Corporate Governance 2012
JAYENDRA JANARDAN VED	The Malaysian Code on Corporate Governance 2012
NARESHCHANDRA GORDHANDAS NAGRECHA	The Malaysian Code on Corporate Governance 2012

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.

COMPANY SECRETARY

The Company Secretary provides guidance to the Board on matters pertaining to the Board's responsibilities in order to ensure that they are effectively discharged within relevant legal and regulatory requirements. This includes updating the Board on the Main Market Listing Requirements, circulars from Bursa Malaysia Securities Berhad and other legal and regulatory developments and their impact on the Group and its business.

The Company Secretary or his representative attends all Board and Committee meetings where he records and circulates the minutes of the meetings. He is also responsible for the safekeeping of the minutes by ensuring that they are kept at the registered office of the Company and are available for inspection, if required.

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.

In line with the Code, the independence of the Board members is reviewed annually. The Code recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. The Board must justify and seek shareholders' approval in the event that it intends to retain the person who has served in the capacity as independent director for more than nine (9) years.

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 (Independent Non-Executive Director)	(Chairman)
• CHEN SENG CHONG (Senior Independent Non-Executive Director)	(Member)
• SOO YOKE MUN (Independent Non-Executive Director)	(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 (Non-Independent Executive Director)	(Chairman)
• LIM PENG @ LIM PANG TUN (Independent Non-Executive Director)	(Member)
• CHEN SENG CHONG (Senior Independent Non-Executive Director)	(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.

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 2012. Details of the attendance are as follows:-

	Number of Meetings Attended
Chairman: GAN THIAM HOCK	1/1
Members: LIM PENG @ LIM PANG TUN	1/1
CHEN SENG CHONG	1/1

III Nomination Committee

The Board has established a Nomination Committee comprising exclusively of Non-Executive Directors, a majority of whom are independent.

The Nomination Committee has three (3) members made up of a Senior Independent Non-Executive Director, an Independent Non-Executive Director and a Non-Independent Non-Executive Director. They are:-

• CHEN SENG CHONG (Senior Independent Non-Executive Director)	(Chairman)
• LIM PENG @ LIM PANG TUN (Independent Non-Executive Director)	(Member)
• NARESHCHANDRA GORDHANDAS NAGRECHA (Non-Independent Non-Executive Director)	(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:-

- recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board after considering the candidates' skills, knowledge, expertise, experience, professionalism, availability and integrity. In the case of the candidates for the position of the Independent Non-Executive Directors, the Nomination Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;
- consider, in making its recommendations, candidates for directorship proposed by the Managing Director and within the bounds of practicality, by any other senior executive or any Director or any shareholder;
- recommend to the Board, Directors to fill the seats on Board Committees;
- review the Board's structure and balance between Executive and Non-Executive Directors;
- assess the effectiveness of the Board as a whole, the effectiveness of the committees of the Board and the contribution of each individual Director, including Independent Non-Executive Directors and Managing Director;
- review the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors shall bring to the Board;
- perform any other ad-hoc duties that may be required by the Board; and
- consider succession planning.

Statement on Corporate Governance *continued*

Meetings shall be held not less than once a year. There was one (1) meeting held during the financial year ended 31 December 2012. Details of the attendance are as follows:-

	Number of Meetings Attended
Chairman:	
CHEN SENG CHONG	1/1
Member:	
LIM PENG @ LIM PANG TUN	1/1
NARESHCHANDRA GORDHANDAS NAGRECHA	1/1

The Board shall determine and identify from time to time via its Nomination Committee the size, skills and gender to effectively make decision and to discharge its roles and responsibilities for the benefit of the Group.

Directors' Remuneration

The aggregate Directors' remuneration paid to all Directors of the Company who served the Group during the financial year ended 31 December 2012 are as follows:-

	Fees RM'000	Benefits- in-kind RM'000	Salaries, Bonuses & EPF RM'000	Total RM'000
Executive Directors	97	49	1,497	1,643
Non-Executive Directors	167	-	-	167
Total	264	49	1,497	1,810

The number of Directors of the Company who served during the financial year ended 31 December 2012 and whose income derived from the Group falls within the following bands are:-

	Executive Directors	Non- Executive Directors
RM50,000 and below	-	5
RM300,000 to RM550,000	2	-
RM550,001 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.

Statement on Corporate Governance *continued*

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, the financial performance, business operations or corporate governance of the Company and other matters affecting the Company's shareholders' interests.

In accordance with the Listing Requirements and Articles of Association of the Company, the Board will conduct poll voting for resolutions relating to related party transactions or as may be demanded by the shareholders respectively.

The Board is encouraged to put substantive resolutions to vote by way of poll at the general meetings. The Chairman will inform the shareholders of the Company of their right to demand for a poll vote at the commencement of a general meeting.

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 and the compliance with the applicable financial reporting standards.

A Statement on Directors' Responsibility for preparing the annual audited financial statements is set out on page 33 of this Annual Report.

RISK MANAGEMENT AND 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 outsourced its internal audit function to a professional firm which reports directly to the Audit Committee.

A Statement on Risk Management and Internal Control, which provides an overview of the state of risk management and internal control within the Group is set out on pages 31 to 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.

WHISTLE-BLOWING POLICY

Following the introduction of the Whistleblower Protection Act 2010, the Board will formalise its whistle-blowing policy.

The Board is satisfied that the Company has complied with most of the principles of the Code and will continue to adopt the principles and recommendations of the Code. This Statement was approved by the Board on 23 April 2013.

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

Five (5) meetings were held during the financial year ended 31 December 2012. Details of the attendance are as follows:-

	Number of Meetings Attended
Chairman:	
LIM PENG @ LIM PANG TUN	5/5
Members:	
CHEN SENG CHONG	3/5
SOO YOKE MUN	5/5

SUMMARY OF ACTIVITIES

The Committee carried out its duties in accordance with its terms of reference during the financial year.

The main activities undertaken by the Committee were as follows:-

- Reviewed the Group's unaudited quarterly financial results with the management and recommended to the Board for approval prior to release to Bursa Securities;
- Reviewed with the external auditors, the draft Audited Financial Statements for the financial year ended 31 December 2012 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;
- Reviewed with the external auditors, the audit plan, audit strategy and scope of work prior to commencement of annual audit;
- Reviewed the issues arising from the final audits;
- Reviewed the performance of external auditors before recommending to the Board their reappointment and remuneration;
- Reviewed with the external auditors, the impact of adopting the revised/new Financial Reporting Standards;
- Reviewed with the external auditors, the significant risk areas and the Group's exposure;
- Reviewed with the internal auditors, the internal audit plans to ensure the adequacy of scope and coverage of audit;
- Reviewed with the internal auditors, the internal audit reports together with management's response and proposed action plans;
- Reviewed the Statement on Risk Management and Internal Control prior to submission to external auditors for review and to the Board for consideration and inclusion in the Annual Report;
- Reviewed the related party transactions including recurrent related party transactions and situations of conflict of interest that may arise within the Company and the Group to ensure compliance with the Listing Requirements of Bursa Securities and the Accounting Standards; and
- Meeting with the external auditors, including twice yearly dialogues without the presence of the executive directors and 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:-
 - concerns, assumptions, going
 - with accounting standards and regulatory requirements
 - changes in accounting policies and practices
 - significant issues arising from the audit
 - judgmental areas, major
- 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 2012, the total amount of fees incurred in respect of the internal audit function performed by the external consultant was RM48,000.

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

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

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2012.

SHARE BUY-BACK

The Company did not carry out any share buy-back during the financial year ended 31 December 2012.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrant or convertible securities exercised during financial year ended 31 December 2012.

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 2012.

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 2012.

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 2012 amounted to RM23,000.

VARIATION IN RESULTS

There was no material variance between the audited financial statements for the financial year ended 31 December 2012 and the announced unaudited financial statements for the fourth quarter ended 31 December 2012.

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 interests of Directors and/or major shareholders.

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

Recurrent Related Party Transactions

The Company had at its Annual General Meeting held on 31 May 2012 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 2012 in accordance with shareholders' mandate obtained in the last Annual 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") <ul style="list-style-type: none"> • Substantial Shareholder of KFB • 100% shareholder of Shana Mr. Nareshchandra Gordhandas Nagrecha ("Mr. Nagrecha") <ul style="list-style-type: none"> • 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") <ul style="list-style-type: none"> • Deemed interested by virtue of him being a person connected to Mr. Nagrecha 	5,922,419
Rubicon Food Products Limited ("Rubicon")	Purchase of frozen food products from KFB or its subsidiaries	Goshenite <ul style="list-style-type: none"> • Substantial Shareholder of KFB • 100% shareholder of Shana Mr. Nagrecha <ul style="list-style-type: none"> • 49% shareholder of Goshenite • Director of KFB and deemed interested in KFB through Goshenite • Director and 50% shareholder of Rubicon • Spouse of Mrs. Veena Nagrecha Mr. Ved <ul style="list-style-type: none"> • Deemed interested by virtue of him being a person connected to Mr. Nagrecha <i>Persons connected to Mr. Nagrecha:-</i> Mrs. Veena Nagrecha <ul style="list-style-type: none"> • Spouse of Mr. Nagrecha • 50% shareholder of Rubicon 	3,159,476

Other Information pursuant to the Listing Requirements of Bursa Malaysia Securities 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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • Director and 50% shareholder of KCB • Spouse of Mr. Gan Thiam Hock <i>Persons connected to</i> <i>Mr. Gan Thiam Hock:-</i> Mr. Gan Thiam Chai <ul style="list-style-type: none"> • Director of KFB • Substantial Shareholder of KFB • Brother of Mr. Gan Thiam Hock • Brother-in-law of Mdm. Lam Saw Kuan • Spouse of Mdm. Kwan Sok Kay Mdm. Kwan Sok Kay <ul style="list-style-type: none"> • Director of KFB • Substantial Shareholder of KFB • Spouse of Mr. Gan Thiam Chai • Sister-in-law of Mr. Gan Thiam Hock and Mdm. Lam Saw Kuan 	743,777
KCB	Sale of frozen food products to KFB or its subsidiaries	Mr. Gan Thiam Hock <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • Director and 50% shareholder of KCB • Spouse of Mr. Gan Thiam Hock <i>Persons connected to</i> <i>Mr. Gan Thiam Hock:-</i> Mr. Gan Thiam Chai <ul style="list-style-type: none"> • Director of KFB • Substantial Shareholder of KFB • Brother of Mr. Gan Thiam Hock • Brother-in-law of Mdm. Lam Saw Kuan • Spouse of Mdm. Kwan Sok Kay Mdm. Kwan Sok Kay <ul style="list-style-type: none"> • Director of KFB • Substantial Shareholder of KFB • Spouse of Mr. Gan Thiam Chai • Sister-in-law of Mr. Gan Thiam Hock and Mdm. Lam Saw Kuan 	856,551

Other Information pursuant to the Listing Requirements of Bursa Malaysia Securities 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	<p>Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay</p> <ul style="list-style-type: none"> • Directors of KFB • Substantial shareholders of KFB • Husband and wife • Brother and sister-in-law of Mr. Gan Thiam Hock respectively • Brother-in-law of Mdm. Lam Saw Kuan • Parents of Ms. Gan Ka Bien, Ms. Gan Ka Hui and Ms. Gan Ka Ooi <p>Mr. Gan Thiam Hock</p> <ul style="list-style-type: none"> • Director of KFB • Substantial shareholder of KFB • Brother of Mr. Gan Thiam Chai and brother-in-law of Mdm. Kwan Sok Kay respectively • Father of Mr. Gan Meng Hoi <p>Ms. Gan Ka Bien</p> <ul style="list-style-type: none"> • Director and Shareholder of Food Valley • Shareholder of KFB • Daughter of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay <p>Ms. Gan Ka Hui</p> <ul style="list-style-type: none"> • Director and Shareholder of Food Valley • Daughter of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay <p>Ms. Gan Ka Ooi</p> <ul style="list-style-type: none"> • Shareholder of Food Valley • Daughter of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay <p>Mr. Gan Meng Hoi</p> <ul style="list-style-type: none"> • Shareholder of Food Valley • Son of Mr. Gan Thiam Hock and Mdm. Lam Saw Kuan 	7,927,869
Hot & Roll Sdn. Bhd.	Purchase of frozen food products from KFB or its subsidiaries	<p>Mr. Gan Thiam Chai</p> <ul style="list-style-type: none"> • Director of KFB • Director and 35% shareholder of Hot & Roll Sdn. Bhd. • Substantial shareholder of KFB • Brother of Mr. Gan Thiam Hock • Spouse of Mdm. Kwan Sok Kay <p><i>Persons connected to Mr. Gan Thiam Chai:-</i></p> <p>Mr. Gan Thiam Hock</p> <ul style="list-style-type: none"> • Director of KFB • Substantial shareholder of KFB • Brother of Mr. Gan Thiam Chai • Brother-in-law of Mdm. Kwan Sok Kay <p>Mdm. Kwan Sok Kay</p> <ul style="list-style-type: none"> • Director of KFB • Substantial Shareholder of KFB • Spouse of Mr. Gan Thiam Chai • Sister-in-law of Mr. Gan Thiam Hock 	888,649

Statement on Risk Management and Internal Control

Introduction

The Board is pleased to provide Kawan Food Berhad Group's Statement on Risk Management and Internal Control which outlines the nature and scope of the risk management and internal controls of the Group during the financial year ended 31 December 2012. This Statement has been prepared pursuant to paragraph 15.26 (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Board Responsibility

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Chief Executive Officer and Group Accountant that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system put into effect by Management is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable but not absolute assurance against material misstatement or loss.

Key Features of the Group's Risk Management and Internal Control System

1. RISK MANAGEMENT

Key management staff and Heads of Department are delegated the responsibility to manage risks related to their departments. Key risks relating to the Group's operations and business plans are deliberated at the monthly Operations Committee Meetings attended by key management personnel and significant risks are communicated to the Board at their scheduled meetings.

The abovementioned practices and initiatives undertaken by the Management serves as an ongoing process adopted by the Group to identify, evaluate and manage significant risks for the financial year under review and up to the date of approval of this statement. In light of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued on 31 December 2012, the Board will re-evaluate the existing risk management practices to ensure that they are appropriate and continues to remain relevant to the Group's requirements.

2. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional services firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. They report directly to the Audit Committee.

During the financial year ended 31 December 2012, internal audit were carried out and the findings of the internal audit, including the recommended corrective actions, were presented directly to the Audit Committee.

In addition, follow up review was conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in the annual report.

Total professional fees paid for outsourcing of internal audit function for the year ended 31 December 2012 was RM48,000.

Statement on Risk Management and Internal Control *continued*

3. INTERNAL CONTROL SYSTEM

- Organisational Structure & Authorisation Procedures

The Group maintains an organisational structure that includes clear delegation of responsibilities and accountability. The organisation chart and Key Management and Deputies Table set out the core responsibilities of the respective management personnel.

Delegated authority and limit mechanism is in place to set out the approval requirements in respect of issuance of journal vouchers and transactions involving sales, purchases and payments.

- Periodical and/or Annual Budget

An annual budget is prepared by Management and tabled to the Board for approval which will be used by the management for monitoring against actual performance.

- Group Policies and Procedures

Documented policies and procedures are in place and are regularly reviewed and updated to ensure that they maintain their relevance and continue to support the Group's business activities at all time as the Group continues to grow.

- Human Resource Policy

Comprehensive guidelines on employment is in place to ensure that the Group has team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.

- Information and Communication

Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

- Monitoring and Review

Scheduled Operations Committee Meetings are held by the management to review and evaluate any issue that has impact on the Group or its stakeholders. Management accounts containing key financial results and operational performance are presented to the management team for monitoring and review. The quarterly financial reports are presented to the Board for their review, consideration and approval.

- External Certification

There were two (2) surveillance audits conducted in February and July 2012 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 March 2012 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 audits were also carried out in February and June 2012 and agendas covered were comprehensive to cover both the elements of ISO22000:2005 and BRC.

Conclusion

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require separate disclosure in the Group's annual report. Nevertheless, the Board shall continue to take the appropriate and necessary measures to improve the Group's risk management and internal controls systems in meeting the Group's corporate objectives.

This Statement was approved by the Board of Directors on 23 April 2013.

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 Malaysian Financial Reporting Standard issued by the Malaysian Accounting Standards Board 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 2012 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) prepared financial statements on the going concern basis.

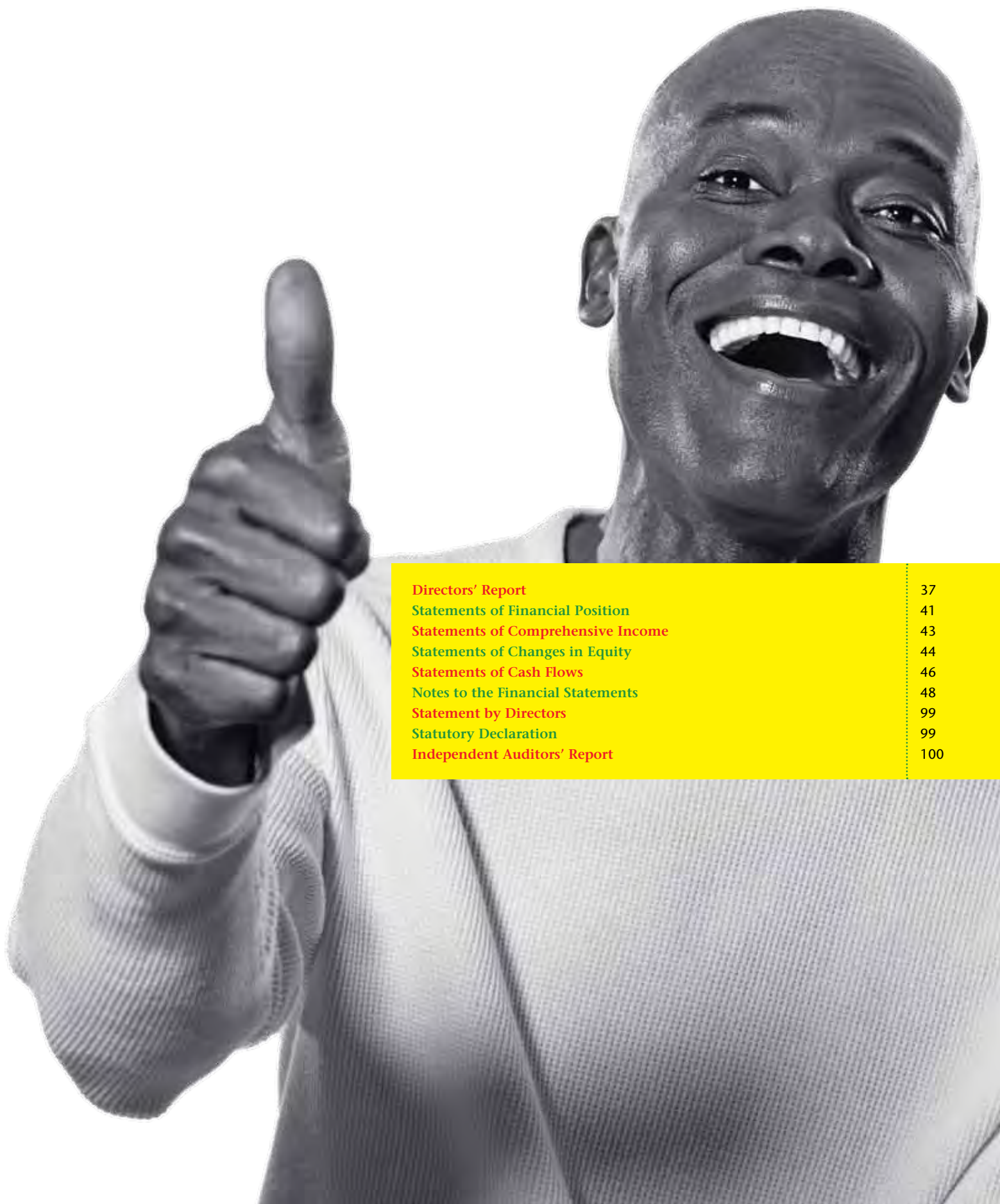
The Directors have responsibility for ensuring that the proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Act.

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

This Statement is made in accordance with a resolution of the Board of Directors dated 23 April 2013.

Financial Statements





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Directors' Report *for the year ended 31 December 2012*

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 2012.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group	Company
	RM	RM
Profit for the year attributable to:		
Owners of the Company	13,544,509	1,885,679
Non-controlling interests	(13,598)	-
	13,530,911	1,885,679

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 dividend of 2.4 sen per ordinary share less income tax at 25% totalling RM2,160,000 in respect of the financial year ended 31 December 2012 on 31 May 2012.

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 2012 • continued*

DIRECTORS' INTERESTS IN SHARES

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

Number of ordinary shares of RM0.50 each				
	Balance at 1.1.2012	Bought	Sold	Balance at 31.12.2012
<i>Direct interests in the Company</i>				
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
<i>Deemed interests through Goshenite Limited</i>				
Nareshchandra Gordhandas Nagrecha	28,800,000	-	-	28,800,000
Number of warrants over ordinary shares				
	Balance at 1.1.2012	Bought	Sold	Balance at 31.12.2012
<i>Direct interests in the Company</i>				
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
<i>Deemed interests through Goshenite Limited</i>				
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 2012 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 2012 • 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 Directors as shown in the financial statements or the fixed salaries of full time employees of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a 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 28 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

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

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.

OTHER STATUTORY INFORMATION

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

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

Directors' Report *for the year ended 31 December 2012 • continued*

OTHER STATUTORY INFORMATION *continued*

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 2012 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.

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 HOCK

.....
KWAN SOK KAY

Kuala Lumpur,
Date: 23 April 2013

Statement of Financial Position *as at 31 December 2012*

	Note	Group		
		31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets				
Property, plant and equipment	3	76,357,422	65,486,408	62,703,736
Investment properties	4	2,678,879	2,741,819	2,756,977
Prepaid lease payments	5	2,771,879	2,907,654	2,759,711
Investment in a jointly controlled entity	7	89,752	-	-
Deferred tax assets	8	486,346	98,123	88,433
Total non-current assets		82,384,278	71,234,004	68,308,857
Other investments, including derivatives	10	1,633,410	5,207,687	763,770
Inventories	11	5,911,089	6,466,552	5,530,480
Current tax assets		1,266,128	2,629,880	2,425,358
Trade and other receivables	9	23,919,260	27,459,092	18,377,777
Prepayments		190,980	101,358	229,445
Cash and cash equivalents	12	25,613,812	16,800,116	23,034,299
Total current assets		58,534,679	58,664,685	50,361,129
Total assets		140,918,957	129,898,689	118,669,986
Equity				
Share capital		60,000,000	60,000,000	60,000,000
Reserves		58,808,400	48,199,761	33,953,423
Total equity attributable to owners of the Company		118,808,400	108,199,761	93,953,423
Non-controlling interests		(11,938)	1,660	-
Total equity	13	118,796,462	108,201,421	93,953,423
Liabilities				
Loans and borrowings	14	3,065,773	3,971,234	4,858,897
Deferred tax liabilities	8	2,286,806	2,283,504	2,348,430
Total non-current liabilities		5,352,579	6,254,738	7,207,327
Loans and borrowings	14	925,133	900,682	1,136,291
Trade and other payables, including derivatives	15	15,650,417	13,730,046	16,174,635
Current tax liabilities		194,366	811,802	198,310
Total current liabilities		16,769,916	15,442,530	17,509,236
Total liabilities		22,122,495	21,697,268	24,716,563
Total equity and liabilities		140,918,957	129,898,689	118,669,986

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

Statement of Financial Position *as at 31 December 2012*

	Note	Company		
		31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets				
Investments in subsidiaries	6	53,641,511	54,010,038	53,507,888
Trade and other receivables	9	-	3,701,610	5,122,626
Total non-current assets		53,641,511	57,711,648	58,630,514
Current tax assets		386,016	323,038	421,971
Trade and other receivables	9	19,880,690	16,031,909	5,426,304
Dividends receivable		-	-	7,875,000
Cash and cash equivalents	12	72,844	591,164	357,450
Total current assets		20,339,550	16,946,111	14,080,725
Total assets		73,981,061	74,657,759	72,711,239
Equity				
Share capital		60,000,000	60,000,000	60,000,000
Reserves		13,533,907	13,808,228	12,165,088
Total equity	13	73,533,907	73,808,228	72,165,088
Liabilities				
Deferred tax liabilities	8	135,295	337,483	207,151
Total non-current liabilities		135,295	337,483	207,151
Trade and other payables, including derivatives	15	311,859	512,048	339,000
Total current liabilities		311,859	512,048	339,000
Total liabilities		447,154	849,531	546,151
Total equity and liabilities		73,981,061	74,657,759	72,711,239

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 2012*

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Revenue	16	110,226,594	104,027,438	2,800,001	4,000,000
Cost of sales		(64,691,895)	(61,937,749)	-	-
Gross profit		45,534,699	42,089,689	2,800,001	4,000,000
Other income		1,147,264	2,133,612	-	785,889
Selling and distribution expenses		(18,433,724)	(15,761,479)	-	-
Administrative expenses		(11,221,600)	(10,030,694)	(1,881,034)	(962,264)
Results from operating activities		17,026,639	18,431,128	918,967	3,823,625
Finance income	18	339,485	188,467	1,028,667	534,972
Finance costs	19	(474,680)	(502,293)	(2,120)	(818)
Share of loss of equity-accounted investees, net of tax		(10,248)	-	-	-
Profit before tax		16,881,196	18,117,302	1,945,514	4,357,779
Income tax expense	20	(3,350,285)	(3,909,341)	(59,835)	(1,034,639)
Profit for the year	17	13,530,911	14,207,961	1,885,679	3,323,140
Other comprehensive income, net of tax	21				
Foreign currency translation differences for foreign operations		(775,870)	1,720,037	-	-
Total comprehensive income for the year		12,755,041	15,927,998	1,885,679	3,323,140
Profit attributable to:					
Owners of the Company		13,544,509	14,206,301	1,885,679	3,323,140
Non-controlling interests		(13,598)	1,660	-	-
Profit for the year		13,530,911	14,207,961	1,885,679	3,323,140
Total comprehensive income attributable to:					
Owners of the Company		12,768,639	15,926,338	1,885,679	3,323,140
Non-controlling interests		(13,598)	1,660	-	-
Total comprehensive income for the year		12,755,041	15,927,998	1,885,679	3,323,140
Earnings per ordinary share (sen)					
- Basic	22	11.29	11.84		
- Diluted	22	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 2012*

Group	Note	Attributable to owners of the Company			Non-controlling interests RM	Total equity RM
		Share capital RM	Translation reserve RM	Retained earnings RM		
At 1 January 2011		60,000,000	(622,271)	34,575,694	-	93,953,423
Total other comprehensive income for the year						
- Foreign currency translation differences for foreign operations		-	1,720,037	-	-	1,720,037
Profit for the year		-	-	14,206,301	1,660	14,207,961
Total comprehensive income for the year		-	1,720,037	14,206,301	1,660	15,927,998
Dividends to owners of the Company	23	-	-	(1,680,000)	-	(1,680,000)
At 31 December 2011/ 1 January 2012		60,000,000	1,097,766	47,101,995	1,660	108,201,421
Total other comprehensive income for the year						
- Foreign currency translation differences for foreign operations		-	(775,870)	-	-	(775,870)
Profit for the year		-	-	13,544,509	(13,598)	13,530,911
Total comprehensive income for the year		-	(775,870)	13,544,509	(13,598)	12,755,041
Dividends to owners of the Company	23	-	-	(2,160,000)	-	(2,160,000)
At 31 December 2012		60,000,000	321,896	58,486,504	(11,938)	118,796,462

(Note 13)

Statement of Changes in Equity *for the year ended 31 December 2012*

	Note	Non-distributable Share capital RM	Distributable Retained earnings RM	Total equity RM
Company				
At 1 January 2011		60,000,000	12,165,088	72,165,088
Total comprehensive income for the year		-	3,323,140	3,323,140
Dividends to owners of the Company	23	-	(1,680,000)	(1,680,000)
At 31 December 2011/ 1 January 2012		60,000,000	13,808,228	73,808,228
Total comprehensive income for the year		-	1,885,679	1,885,679
Dividends to owners of the Company	23	-	(2,160,000)	(2,160,000)
At 31 December 2012		60,000,000	13,533,907	73,533,907
	(Note 13)			

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 2012*

Note	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash flows from operating activities				
Profit before tax	16,881,196	18,117,302	1,945,514	4,357,779
<i>Adjustments for:</i>				
Amortisation of prepaid lease payments	5 62,998	64,615	-	-
Depreciation of investment properties	4 50,661	50,898	-	-
Depreciation of property, plant and equipment	3 6,258,172	5,217,647	-	-
Dividend income	-	-	(2,800,001)	(4,000,000)
Finance income	18 (339,485)	(188,467)	(1,028,667)	(534,972)
Interest expense	19 220,752	263,976	-	-
(Gain)/Loss on disposal of property, plant and equipment	(15,524)	5,008	-	-
Share of loss of equity-accounted investees, net of tax	7 10,248	-	-	-
Unrealised foreign exchange differences	(129,361)	(1,434,376)	1,064,293	(785,889)
Operating profit/(loss) before changes in working capital	22,999,657	22,096,603	(818,861)	(963,082)
Change in inventories	555,463	(936,072)	-	-
Change in trade and other payables	1,924,770	(2,444,589)	(200,189)	173,048
Change in trade and other receivables, prepayments and other financial assets	551,270	(7,975,849)	478,615	(8,400,000)
Cash generated from/(used in) operations	26,031,160	10,740,093	(540,435)	(9,190,034)
Dividends received	-	-	2,475,000	10,875,000
Income tax paid	(2,976,629)	(3,778,823)	-	-
Income tax refund	-	194,626	-	194,626
Net cash from operating activities	23,054,531	7,155,896	1,934,565	1,879,592

Statements of Cash Flows *for the year ended 31 December 2012 • continued*

Note	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash flows from investing activities				
Acquisition of property, plant and equipment (i)	(15,102,936)	(5,609,620)	-	-
Proceeds from disposal of property, plant and equipment	147,000	11,000	-	-
Finance income from fixed deposits	339,485	188,467	7,113	34,122
Investment in a jointly controlled entity	(100,000)	-	-	-
Investment in a subsidiary	-	-	(299,998)	-
Changes in investment in unit trusts	3,627,077	(5,207,687)	-	-
Net cash (used in)/ from investing activities	(11,089,374)	(10,617,840)	(292,885)	34,122
Cash flows from financing activities				
Dividends paid to owners of the Company	(2,160,000)	(1,680,000)	(2,160,000)	(1,680,000)
Repayment of borrowings	(881,010)	(1,044,535)	-	-
Payment of finance lease liability	-	(78,737)	-	-
Finance costs on finance lease liability	-	(5,119)	-	-
Finance costs on term loans	(220,752)	(258,857)	-	-
Net cash used in financing activities	(3,261,762)	(3,067,248)	(2,160,000)	(1,680,000)
Net increase/(decrease) in cash and cash equivalents	8,703,395	(6,529,192)	(518,320)	233,714
Effect of exchange rate fluctuations on cash held	110,301	295,009	-	-
Cash and cash equivalents at 1 January	16,800,116	23,034,299	591,164	357,450
Cash and cash equivalents at 31 December	(ii) 25,613,812	16,800,116	72,844	591,164

i) Acquisition of property, plant and equipment

Included in acquisition of property, plant and equipment are deposits and progress payments of RM2,852,222 (2011: RM512,335) incurred in prior years and capitalised in 2012.

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		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deposits placed with licensed banks	12 2,411,562	4,636,655	72,844	577,883
Cash and bank balances	12 23,202,250	12,163,461	-	13,281
	25,613,812	16,800,116	72,844	591,164

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 2012 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in a jointly controlled entity. The financial statements of the Company as at and for the year ended 31 December 2012 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 23 April 2013.

Notes to the Financial Statements *continued*

1. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRS and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards (FRS). The transition to MFRS has no financial impact to the financial statements of the Group and the Company.

The following are new and revised MFRSs, amendments and IC interpretations (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and the Company:

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

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

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

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

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

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements* (2011): *Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

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

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

The Group and the Company are currently examining the financial impact that may arise from the adoption of above pronouncements in the period of initial applications.

Notes to the Financial Statements *continued*

1. BASIS OF PREPARATION *continued*

a) Statement of compliance *continued*

The following pronouncements which are not effective, are not relevant to the operations of the Group and the Company, and hence, no further disclosures are warranted:

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

- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*

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 MFRSs 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. 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 measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as 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.

Notes to the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

a) Basis of consolidation *continued*

ii) 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.

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.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, 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.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

iii) Accounting 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 consideration received or paid, is adjusted to or against Group reserves.

iv) Loss of control

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.

v) Jointly-controlled entities

Jointly controlled entities are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution). The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted joint ventures, after adjustments, if any, to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale or distribution.

Notes to the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

a) Basis of consolidation *continued*

vi) 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 profit or loss and other comprehensive income for the year between non-controlling interests and the owners of the Company.

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.

vii) 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 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 2011 which are treated as assets and liabilities of the Company. 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.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, 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.

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*

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 asset or a financial liability 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 the 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.

c) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables 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*

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 categorised 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 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 is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a 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.

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.

Notes to the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

c) Financial instruments *continued*

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 gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "administrative expenses" respectively in profit or loss.

ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component 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.

Notes to the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

d) Property, plant and equipment *continued*

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component 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:

	2012	2011
Buildings	50 years	50 years
Apartments	50 years	50 years
Motor vehicles	10 years	5 years
Furniture, fittings and office equipment	5 to 10 years	5 to 10 years
Plant and machineries	10 years	10 years
Renovation	10 years	10 years
Signage	10 years	10 years

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

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. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

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.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. 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.

Notes to the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

f) Goodwill

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

Amortisation

Goodwill with indefinite useful lives 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 to earn rental income or for capital appreciation or for both. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are measured at cost are accounted for similarly to property, plant and equipment.

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 recognised in 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. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

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.

Notes to the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

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 on hand, balances and deposits with banks which have an insignificant risk of changes in fair 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 and jointly controlled entity) 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

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 the 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.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale 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.

Notes to the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

j) Impairment *continued*

ii) Other assets *continued*

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 cash-generating units. 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 or the cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated 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 cash-generating units (groups of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating 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 financial 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.

ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the financial 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Notes to the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

n) Revenue and other income

i) Goods sold

Revenue from the sale of goods in the course of ordinary business is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount 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 return 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, construction 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 asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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.

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 combination 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 financial years.

Notes to the Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

p) **Income tax** *continued*

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 be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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 to 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 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/ 1 January 2012, restated	8,090,593	22,481,634	992,291	2,961,652
Additions	14,711,117	-	-	134,988
Disposals	-	-	-	(134,989)
Effect of movements in exchange rates	-	(385,357)	(11,924)	(13,981)
Reclassification	-	-	-	-
At 31 December 2012	22,801,710	22,096,277	980,367	2,947,670
Depreciation				
At 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/ 1 January 2012	719,921	1,723,991	135,855	680,178
Depreciation for the year	168,258	438,745	19,109	844,619
Disposals	-	-	-	(15,749)
Effect of movements in exchange rates	-	(19,224)	(1,038)	(4,768)
At 31 December 2012	888,179	2,143,512	153,926	1,504,280
Carrying amounts				
At 1 January 2011	7,466,462	19,996,606	867,084	1,904,246
At 31 December 2011/ 1 January 2012	7,370,672	20,757,643	856,436	2,281,474
At 31 December 2012	21,913,531	19,952,765	826,441	1,443,390

	Furniture, fittings and office equipment RM	Plant and machineries RM	Renovation RM	Signage RM	Capital work-in- progress RM	Total RM
	4,346,235 290,758 (40,717)	36,900,594 1,955,003 (20,500)	4,746,049 131,374 -	39,800 - -	3,399,362 3,230,791 -	82,110,334 6,121,955 (74,958)
	63,876 17,612	500,396 1,762,683	- -	- -	271,607 (1,983,311)	1,980,451 -
	4,677,764 162,420 (17,183)	41,098,176 965,901 (18,000)	4,877,423 17,550 -	39,800 - -	4,918,449 1,963,182 -	90,137,782 17,955,158 (170,172)
	(24,801) -	(224,011) 5,613,633	- -	- -	(92,087) (5,613,633)	(752,161) -
	4,798,200	47,435,699	4,894,973	39,800	1,175,911	107,170,607
	1,889,625 448,766 (36,156)	14,160,889 3,500,980 (9,054)	897,646 479,534 -	14,542 3,980 -	- - -	19,406,598 5,217,647 (58,950)
	11,949	28,728	-	-	-	86,079
	2,314,184 455,040 (16,797)	17,681,543 3,841,048 (6,150)	1,377,180 487,373 -	18,522 3,980 -	- - -	24,651,374 6,258,172 (38,696)
	(6,345)	(26,290)	-	-	-	(57,665)
	2,746,082	21,490,151	1,864,553	22,502	-	30,813,185
	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
	2,052,118	25,945,548	3,030,420	17,298	1,175,911	76,357,422

Notes to the Financial Statements *continued*

3. PROPERTY, PLANT AND EQUIPMENT *continued*

3.1 Security

Buildings with a carrying amount of RM6,145,626 (31.12.2011: RM6,302,908, 1.1.2011: 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 RM7,274,881 (31.12.2011: RM7,370,672, 1.1.2011: RM7,466,460) have been assigned to licensed banks for banking facilities (see Note 14).

3.2 Apartments

Apartments with a carrying amount of RM434,457 (31.12.2011: RM445,198, 1.1.2011: RM455,937) have yet to be issued with strata title to a subsidiary.

3.3 Land

The carrying amounts of land are wholly related to leasehold land with unexpired lease period of more than 50 years.

3.4 Change in estimates

During the financial year ended 31 December 2012, the Group conducted an operational efficiency review of its motor vehicles which resulted in changes in the expected useful lives of motor vehicles. The management previously intended to dispose of the motor vehicles after 5 years of use, is now expected to use the motor vehicles for a period of 10 years from the date of purchase. As a result, the expected useful lives of these assets increased and their estimated residual value is deemed to be nil.

The change in the expected useful lives of motor vehicles has the following effects on the Group's profit or loss:

	2012 RM	2013 RM	2014 RM	2015 RM	2016 RM	Later RM
(Decrease)/Increase in depreciation expense	155,856	(54,560)	(48,096)	(39,358)	14,566	(28,408)

Notes to the Financial Statements *continued*

4. INVESTMENT PROPERTIES

Group	RM
Cost	
At 1 January 2011	3,205,936
Effect of movements in exchange rates	36,395
At 31 December 2011/1 January 2012	3,242,331
Effect of movements in exchange rates	(12,738)
At 31 December 2012	3,229,593
Depreciation	
At 1 January 2011	448,959
Depreciation for the year	50,898
Effect of movements in exchange rates	655
At 31 December 2011/1 January 2012	500,512
Depreciation for the year	50,661
Effect of movements in exchange rates	(459)
At 31 December 2012	550,714
Carrying amounts	
At 1 January 2011	2,756,977
At 31 December 2011/1 January 2012	2,741,819
At 31 December 2012	2,678,879
Fair values	
At 1 January 2011	5,882,000
At 31 December 2011/1 January 2012	5,820,000
At 31 December 2012	6,412,000

Included in the above are:

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At cost:			
Freehold land	78,000	78,000	78,000
Leasehold land with unexpired lease period of more than 50 years	1,206,551	1,206,551	1,206,551
Buildings	1,448,856	1,448,856	1,448,856
Apartments	496,186	508,924	472,529
	3,229,593	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	
	2012 RM	2011 RM
Rental income	357,123	342,000
Direct operating expenses:		
- income generating investment properties	(40,266)	(40,449)
	316,857	301,551

Investment property of the Group amounting to RM1,889,814 (31.12.2011: RM1,925,344, 1.1.2011: 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 2011	2,999,685
Effect on movements in exchange rates	231,041
At 31 December 2011/1 January 2012	3,230,726
Effect on movements in exchange rates	(80,864)
At 31 December 2012	3,149,862
Amortisation	
At 1 January 2011	239,974
Amortisation for the year	64,615
Effect on movements in exchange rates	18,483
At 31 December 2011/1 January 2012	323,072
Amortisation for the year	62,998
Effect on movements in exchange rates	(8,087)
At 31 December 2012	377,983
Carrying amounts	
At 1 January 2011	2,759,711
At 31 December 2011/1 January 2012	2,907,654
At 31 December 2012	2,771,879

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

Notes to the Financial Statements *continued*

6. INVESTMENTS IN SUBSIDIARIES

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unquoted shares, at cost	35,395,614	35,095,616	35,095,616
Less: Accumulated impairment loss	(255,000)	(255,000)	(255,000)
	35,140,614	34,840,616	34,840,616
Advances receivable (Quasi-equity)	18,500,897	19,169,422	18,667,272
	53,641,511	54,010,038	53,507,888

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest		
			31.12.2012 %	31.12.2011 %	1.1.2011 %
Held by the Company					
Kawan Food Manufacturing Sdn. Bhd.	Malaysia	Manufacturing and sale of frozen food products	100	100	100
KG Pastry Marketing Sdn. Bhd.	Malaysia	Trading and distribution of frozen food products	100	100	100
Kayangan Manisan (M) Sdn. Bhd.	Malaysia	Manufacturing and sale of food products	51	51	51
Kawan Food Confectionery Sdn. Bhd.	Malaysia	Trading and distribution of frozen food products	100	100	100
Kawan Food (Hong Kong) Limited+	Hong Kong	Trading and distribution of frozen food products	100	100	100
Held by Kawan Food (Hong Kong) Limited					
Kawan Food (Nantong) Co., Ltd.+	China	Manufacturing and trading of frozen food delicacies	100	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*

7. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group 31.12.2012 RM
At cost:	
Unquoted shares in Malaysia	100,000
Share of post-acquisition reserves	(10,248)
	89,752

Summary as per management accounts from date of incorporation to 31 December 2012 of the jointly controlled entity, not adjusted for the percentage of ownership by the Group:

Group	Country of incorporation 31.12.2012	Effective ownership interest %	Revenue (100%) RM	Loss (100%) RM	Total assets (100%) RM	Total liabilities (100%) RM
Hot & Go Management Sdn. Bhd.	Malaysia	50	24,801	18,235	326,247	144,480

8. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	31.12.2012 RM	Assets 31.12.2011 RM	1.1.2011 RM
Group			
Property, plant and equipment	-	-	-
Inventories	41,656	98,124	56,023
Provisions	1,111,881	795,825	917,183
Tax loss carry-forwards	62,630	-	-
Other items	236,903	-	315
Deferred tax assets/(liabilities)	1,453,070	893,949	973,521
Set off	(966,724)	(795,826)	(885,088)
Net deferred tax assets/(liabilities)	486,346	98,123	88,433
Company			
Other items	-	-	-

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	31.12.2012 RM	Liabilities 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Net 31.12.2011 RM	1.1.2011 RM
	(2,893,498)	(3,074,211)	(3,233,518)	(2,893,498)	(3,074,211)	(3,233,518)
	-	-	-	41,656	98,124	56,023
	-	-	-	1,111,881	795,825	917,183
	-	-	-	62,630	-	-
	(360,032)	(5,119)	-	(123,129)	(5,119)	315
	(3,253,530)	(3,079,330)	(3,233,518)	(1,800,460)	(2,185,381)	(2,259,997)
	966,724	795,826	885,088	-	-	-
	(2,286,806)	(2,283,504)	(2,348,430)	(1,800,460)	(2,185,381)	(2,259,997)
	(135,295)	(337,483)	(207,151)	(135,295)	(337,483)	(207,151)

Notes to the Financial Statements *continued*

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

Unrecognised deferred tax assets

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

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Plant and equipment	(86,757)	(1,289,374)	(1,219,412)
Tax loss carry-forwards	189,348	247,644	186,206
Capital allowance carry-forwards	138,884	155,657	160,332
Other deductible temporary differences	75,744	1,492,987	1,462,265
	317,219	606,914	589,391

Movement in temporary differences during the year

	At 1.1.2011 RM	Recognised in profit or loss (Note 20) RM	At 31.12.2011 RM	Recognised in profit or loss (Note 20) RM	Recognised in other comprehen- sive income (Note 21) RM	At 31.12.2012 RM
Group						
Property, plant and equipment	(3,233,518)	159,307	(3,074,211)	180,713	-	(2,893,498)
Inventories	56,023	42,101	98,124	(56,468)	-	41,656
Provisions	917,183	(121,358)	795,825	316,056	-	1,111,881
Tax loss carry-forwards	-	-	-	62,630	-	62,630
Other items	315	(5,434)	(5,119)	(118,376)	366	(123,129)
	(2,259,997)	74,616	(2,185,381)	384,555	366	(1,800,460)
Company						
Other items	(207,151)	(130,332)	(337,483)	202,188	-	(135,295)

Notes to the Financial Statements *continued*

9. TRADE AND OTHER RECEIVABLES

		Group			Company		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Non-current							
Advances to subsidiaries	9.1	-	-	-	-	3,701,610	5,122,626
Current							
Trade							
Trade receivables	9.2	23,714,412	24,019,649	16,270,543	-	-	-
Non-trade							
Advances to subsidiaries	9.1	-	-	-	19,879,690	16,030,909	5,425,304
Other receivables	9.3	204,848	3,439,443	2,107,234	1,000	1,000	1,000
		204,848	3,439,443	2,107,234	19,880,690	16,031,909	5,426,304
Total current		23,919,260	27,459,092	18,377,777	19,880,690	16,031,909	5,426,304
Total		23,919,260	27,459,092	18,377,777	19,880,690	19,733,519	10,548,930

9.1 Advances to subsidiaries

Advances to subsidiaries of RM8,740,881 (31.12.2011: RM8,400,000, 1.1.2011: Nil) are unsecured, subject to interest at BLR of 6.6% p.a. (31.1.2011: Nil, 1.1.2011: Nil) and repayable on demand. The remaining advances to subsidiaries bear interest at 5% per annum (31.12.2011: 5%, 1.1.2011: 5%) are repayable as follow:

Agreement date	Year of maturity	Total RM	Less than 1 year RM	1 - 2 year RM	2 - 5 years RM
31 December 2012					
22 October 2012 (renewal)	2013	3,531,234	3,531,234	-	-
22 October 2008	2013	1,699,373	1,699,373	-	-
5 December 2008	2013	3,688,305	3,688,305	-	-
22 December 2012 (renewal)	2013	2,219,897	2,219,897	-	-
		11,138,809	11,138,809	-	-
31 December 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	-
1 January 2011					
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

Notes to the Financial Statements *continued*

9. TRADE AND OTHER RECEIVABLES *continued*

9.2 Trade receivables

Included in trade receivables of the Group is an amount of RM1,383,577 (31.12.2011: RM1,691,745, 1.1.2011: 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 RM Nil (31.12.2011: RM2,898,875, 1.1.2011: RM590,963) being deposit paid for the acquisition of property, plant and machineries.

10. OTHER INVESTMENTS, INCLUDING DERIVATIVES

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Current			
Financial assets at fair value through profit or loss			
- Held for trading : Derivatives	52,800	-	763,770
- Held for trading : Unit trusts (Quoted)	1,580,610	5,207,687	-
	1,633,410	5,207,687	763,770

11. INVENTORIES

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At cost			
Raw materials	954,307	728,126	923,547
Packaging materials	1,778,747	1,659,330	1,621,137
Finished goods	3,178,035	4,079,096	2,985,796
	5,911,089	6,466,552	5,530,480
Recognised in profit or loss:			
Inventories recognised as cost of sales	64,691,895	61,937,749	51,742,253

12. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Deposits placed with licensed banks	2,411,562	4,636,655	2,671,977	72,844	577,883	344,708
Cash and bank balances	23,202,250	12,163,461	20,362,322	-	13,281	12,742
	25,613,812	16,800,116	23,034,299	72,844	591,164	357,450

Deposits placed with licensed banks of the Group and of the Company comprise placements in fixed income trusts of which RM2,411,562 (31.12.2011: RM4,636,655, 1.1.2011: RM1,921,691) and RM72,844 (31.12.2011: RM577,883, 1.1.2011: RM339,070) respectively are redeemable at call.

Notes to the Financial Statements *continued*

13. CAPITAL AND RESERVES

Share capital

	Group and Company					
	Amount 31.12.2012 RM	Number of shares 31.12.2012	Amount 31.12.2011 RM	Number of shares 31.12.2011	Amount 1.1.2011 RM	Number of shares 1.1.2011
Authorised:						
Ordinary shares of RM0.50 each	100,000,000	200,000,000	100,000,000	200,000,000	100,000,000	200,000,000
Issued and fully paid:						
Ordinary shares of RM0.50 each	60,000,000	120,000,000	60,000,000	120,000,000	60,000,000	120,000,000

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.

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 RM9,549,000 from its retained earnings as at 31 December 2012 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 2012 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:

- 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.
- 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.
- 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.

Notes to the Financial Statements *continued*

13. CAPITAL AND RESERVES *continued*

Warrants *continued*

- 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 except 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.

14. LOANS AND BORROWINGS

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Non-current			
Term loans	3,065,773	3,971,234	4,858,897
Current			
Term loans	925,133	900,682	1,057,554
Finance lease liability	-	-	78,737
	925,133	900,682	1,136,291
	3,990,906	4,871,916	5,995,188

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			Company		
		31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade							
Trade payables	15.1	6,509,250	6,098,391	6,146,272	-	-	-
Non-trade							
Other payables		965,062	1,335,897	2,994,671	159	159	-
Accruals		7,861,652	5,616,649	6,699,465	47,601	47,600	75,000
Amount due to a subsidiary	15.2	-	-	-	99	200,289	-
Amount due to Directors	15.3	314,453	323,906	334,227	264,000	264,000	264,000
Financial liabilities at fair value through profit or loss:							
- Held for trading:							
Derivatives		-	355,203	-	-	-	-
		15,650,417	13,730,046	16,174,635	311,859	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 (31.12.2011: 30 - 60 days, 1.1.2011: 30 – 60 days).
- ii) Included in trade payables of the Group is an amount of RM1,261,902 (31.12.2011: RM1,347,020, 1.1.2011: RM13,224) due to companies 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	
	2012 RM	2011 RM	2012 RM	2011 RM
Revenue				
- Sales of goods	110,226,594	104,027,438	-	-
- Dividends	-	-	2,800,001	4,000,000
	110,226,594	104,027,438	2,800,001	4,000,000

Notes to the Financial Statements *continued*

17. PROFIT FOR THE YEAR

Note	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit for the year is arrived at after charging:				
Auditors' remuneration:				
- Statutory audit				
KPMG Malaysia	93,500	93,500	26,000	26,000
Other auditors	106,075	104,500	-	-
- Other services				
KPMG Malaysia	23,000	13,000	23,000	13,000
Amortisation of prepaid lease payments	5 62,998	64,615	-	-
Depreciation of investment properties	4 50,661	50,898	-	-
Depreciation of property, plant and equipment	3 6,258,172	5,217,647	-	-
Impairment loss				
- Trade receivables	85,019	9,852	-	-
Inventories written off	460,838	406,559	-	-
Loss on disposal of property, plant and equipment	-	5,008	-	-
Personnel expenses (including key management personnel):				
- Contributions to State Plans	1,113,930	1,095,653	-	-
- Wages, salaries and others	12,012,097	9,728,811	-	-
Net unrealised foreign exchange loss	-	-	1,064,293	-
Realised foreign exchange loss	77,559	383,805	-	-
Rental expense in respect of:				
- Coldroom	582,958	482,314	-	-
- Equipment	61,940	58,436	-	-
- Hostel	26,650	32,000	-	-
- Premises	32,280	35,280	-	-
and after crediting:				
Gain on disposal of property, plant and equipment	15,524	-	-	-
Net unrealised foreign exchange gain	129,361	932,229	-	785,889
Realised foreign exchange gain	-	1,371,456	-	-
Rental income from property	357,123	342,000	-	-
Reversal of impairment loss:				
- Trade receivables	69,718	56,956	-	-

Notes to the Financial Statements *continued*

18.FINANCE INCOME

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest income of financial assets that are not at fair value through profit or loss	339,485	188,467	1,028,667	534,972

19.FINANCE COSTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Finance lease liability	-	5,119	-	-
Term loans, secured	220,752	258,857	-	-
	220,752	263,976	-	-
Other bank charges	253,928	238,317	2,120	818
	474,680	502,293	2,120	818

Notes to the Financial Statements *continued*

20. INCOME TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Major components of income tax expense include:				
Current tax expense				
Malaysian - current year	3,132,864	3,077,419	242,151	897,209
- prior years	(21,735)	184,658	19,872	7,098
Overseas - current year	628,724	721,880	-	-
- prior years	(5,013)	-	-	-
Total current tax recognised in profit or loss	3,734,840	3,983,957	262,023	904,307
Deferred tax expense				
Origination and reversal of temporary differences	(68,731)	(184,005)	135,295	130,332
(Over)/Under provided in prior years	(315,824)	109,389	(337,483)	-
Total deferred tax recognised in profit or loss	(384,555)	(74,616)	(202,188)	130,332
Total income tax expense	3,350,285	3,909,341	59,835	1,034,639
Reconciliation of effective tax expense				
Profit for the year	13,530,911	14,207,961	1,885,679	3,323,140
Total income tax expense	3,350,285	3,909,341	59,835	1,034,639
Profit excluding tax	16,881,196	18,117,302	1,945,514	4,357,779
Income tax calculated using Malaysian tax rate of 25%	4,220,299	4,529,326	486,379	1,089,445
Effect of tax rate in foreign jurisdiction	(268,839)	(387,170)	-	-
Non-deductible expenses	662,537	238,657	387,939	137,980
Tax exempt income	(569,497)	(237,737)	(496,872)	(205,003)
Tax incentives	(335,337)	(292,643)	-	-
Double deduction on qualifying expenditures	(233,818)	(256,921)	-	-
Change in unrecognised temporary differences	(16,403)	2,679	-	-
Other items	233,915	19,103	-	5,119
(Over)/Under provision in prior years				
- current tax expense	(26,748)	184,658	19,872	7,098
- deferred tax expense	(315,824)	109,389	(337,483)	-
	3,350,285	3,909,341	59,835	1,034,639

Notes to the Financial Statements *continued*

21. OTHER COMPREHENSIVE INCOME

Group	2012			2011		
	Before tax RM	Tax (expense)/ benefit RM	Net of tax RM	Before tax RM	Tax (expense)/ benefit RM	Net of tax RM
Foreign currency translation differences for foreign operations - (Loss)/Gain arising during the year	(776,236)	366	(775,870)	1,720,037	-	1,720,037

22. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 31 December 2012 was based on the profit attributable to ordinary shareholders of RM13,544,509 (2011: RM14,206,301) and a weighted average number of ordinary shares outstanding of 120,000,000 (2011: 120,000,000).

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2012 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.

23. DIVIDENDS

Dividend recognised in the current year by the Company is:

	Sen per share (net of tax)	Total amount RM	Date of payment
2012			
Interim 2012 ordinary	1.8	2,160,000	31 May 2012
2011			
Interim 2011 ordinary - tax exempt	1.4	1,680,000	17 June 2011

Notes to the Financial Statements *continued*

24. 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 units 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 6 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	Kawan Food Berhad RM	Kawan Food Manufacturing Sdn. Bhd. RM	KG Pastry Marketing Sdn. Bhd. RM
2012			
Segment profit/(loss)	918,967	12,264,155	6,547,310
Included in the measure of segment profit/(loss) are:			
Revenue from external customers	-	4,244,049	49,069,933
Inter-company revenue	2,800,001	79,408,615	780,686
Not included in the measure of segment profit but provided to Chief Executive Officer:			
Depreciation and amortisation	-	(4,012,231)	(883,905)
Finance costs	(2,120)	(937,579)	(2,736)
Finance income	1,028,667	297,001	173,644
Income tax expense	(59,835)	(1,292,565)	(1,533,012)
Segment assets			
Included in the measure of segment assets are:			
Additions to non-current assets other than financial instruments and deferred tax assets	-	17,267,725	136,338

Notes to the Financial Statements *continued*

24. 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
	(1,994)	(21,860)	4,017,677	1,499,168	25,223,423
	960,559	10,154	53,708,751	2,233,148	110,226,594
	328,743	-	-	10,564,908	93,882,953
	(25,705)	-	(3,648)	(1,446,342)	(6,371,831)
	(52)	(19)	(213,943)	(486,168)	(1,642,617)
	-	4,177	-	-	1,503,489
	-	(1,044)	(623,711)	223,714	(3,286,453)
	-	-	-	551,095	17,955,158

Notes to the Financial Statements *continued*

24. OPERATING SEGMENTS *continued*

Group	Kawan Food Berhad RM	Kawan Food Manufacturing Sdn. Bhd. RM	KG Pastry Marketing Sdn. Bhd. RM
2011			
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*

	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

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

	Group	
	2012 RM	2011 RM
Profit or loss		
Total profit or loss for reportable segments	25,223,423	28,442,835
Elimination of inter-segment profits	(1,835,201)	(4,678,547)
Depreciation and amortisation	(6,371,831)	(5,333,160)
Finance income	339,485	188,467
Finance costs	(474,680)	(502,293)
Consolidated profit before tax	16,881,196	18,117,302

Notes to the Financial Statements *continued*

24. OPERATING SEGMENTS *continued*

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

	External revenue RM	Depreciation and amortisation RM	Finance costs RM	Finance income RM	Segment assets RM
2012					
Total reportable Segments	204,109,547	(6,371,831)	(1,642,617)	1,503,489	245,348,178
Elimination of inter-segment transactions or balances	(93,882,953)	-	1,167,937	(1,164,004)	(104,429,221)
Consolidated total	110,226,594	(6,371,831)	(474,680)	339,485	140,918,957
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

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 jointly controlled entity) and deferred tax assets.

Geographical information

	2012		2011	
	Revenue RM	Non-current assets RM	Revenue RM	Non-current assets RM
Malaysia	49,946,205	52,637,466	45,177,481	40,286,720
Rest of Asia	14,945,704	29,170,714	12,796,107	30,849,161
Europe	9,745,679	-	11,248,809	-
North America	29,868,857	-	28,925,506	-
Oceania	5,720,149	-	5,738,679	-
Africa	-	-	140,856	-
	110,226,594	81,808,180	104,027,438	71,135,881

Major customers

The Group has one (2011: one) major customer contributing revenue greater than 10% of the Group's total revenue.

Notes to the Financial Statements *continued*

25. FINANCIAL INSTRUMENTS

25.1 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
31 December 2012			
Financial assets			
Group			
Other investments, including derivatives	1,633,410	-	1,633,410
Trade and other receivables	23,919,260	23,919,260	-
Cash and cash equivalents	25,613,812	25,613,812	-
	51,166,482	49,533,072	1,633,410
Company			
Trade and other receivables	19,880,690	19,880,690	-
Cash and cash equivalents	72,844	72,844	-
	19,953,534	19,953,534	-
Financial liabilities			
Group			
Loans and borrowings	3,990,906	3,990,906	-
Trade and other payables, including derivatives	15,650,417	15,650,417	-
	19,641,323	19,641,323	-
Company			
Trade and other payables, including derivatives	311,859	311,859	-
31 December 2011			
Financial assets			
Group			
Other investments, 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)	-

Notes to the Financial Statements *continued*

25. FINANCIAL INSTRUMENTS *continued*

25.1 Categories of financial instruments *continued*

	Carrying amount RM	L&R/ (FL) RM	FVTPL -HFT RM
1 January 2011			
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)	-

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Net gains/(losses) arising on:				
Fair value through profit or loss:				
- Held for trading	408,003	(1,118,973)	-	-
Loans and receivables	(61,776)	1,865,566	632,899	1,320,043
Financial liabilities measured at amortised cost	(189,656)	(240,556)	-	-
	156,571	506,037	632,899	1,320,043

Notes to the Financial Statements *continued*

25.FINANCIAL INSTRUMENTS *continued*

25.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

25.4 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.

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

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Domestic	10,998,694	10,993,502	8,576,921
North America	6,236,399	6,359,091	3,590,676
Europe	1,269,171	1,620,615	556,994
Rest of Asia	3,371,722	2,906,782	1,638,582
Oceania	1,838,426	2,139,523	1,907,370
Africa	-	136	-
	23,714,412	24,019,649	16,270,543

Notes to the Financial Statements *continued*

25. FINANCIAL INSTRUMENTS *continued*

25.4 Credit risk *continued*

Receivables *continued*

Impairment losses

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

	Gross RM	Individual impairment RM	Net RM
Group			
31 December 2012			
Not past due	19,861,883	-	19,861,883
1 - 30 days past due	1,371,290	-	1,371,290
31 - 90 days past due	1,414,787	-	1,414,787
More than 90 days past due	1,157,612	(91,160)	1,066,452
	23,805,572	(91,160)	23,714,412
31 December 2011			
Not past due	18,838,564	-	18,838,564
1 - 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
1 January 2011			
Not past due	11,580,962	-	11,580,962
1 - 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	
	2012 RM	2011 RM
At 1 January	75,859	122,963
Impairment loss recognised	85,019	9,852
Impairment loss reversed	(69,718)	(56,956)
At 31 December	91,160	75,859

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.

Notes to the Financial Statements *continued*

25. FINANCIAL INSTRUMENTS *continued*

25.4 Credit risk *continued*

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 RM3,990,906 (31.12.2011: RM4,871,916, 1.1.2011: 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.

25.5 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*

25. FINANCIAL INSTRUMENTS *continued*

25.5 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
31 December 2012						
Group						
<i>Non-derivative financial liabilities</i>						
Secured						
term loans	3,990,906	4.95%	4,406,870	1,101,762	1,101,762	2,203,346
Trade and other payables**	15,650,417		15,650,417	15,650,417	-	-
	<u>19,641,323</u>		<u>20,057,287</u>	<u>16,752,179</u>	<u>1,101,762</u>	<u>2,203,346</u>
Company						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	<u>311,859</u>		<u>311,859</u>	<u>311,859</u>	<u>-</u>	<u>-</u>
31 December 2011						
Group						
<i>Non-derivative financial liabilities</i>						
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	-	-
	<u>18,246,759</u>		<u>18,884,896</u>	<u>14,476,611</u>	<u>1,101,768</u>	<u>3,306,517</u>
<i>Derivative financial liabilities</i>						
Forward exchange contracts (gross unsettled)	355,203	-	355,203	355,203	-	-
	<u>18,601,962</u>		<u>19,240,099</u>	<u>14,831,814</u>	<u>1,101,768</u>	<u>3,306,517</u>
Company						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	<u>512,048</u>	-	<u>512,048</u>	<u>512,048</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements *continued*

25. FINANCIAL INSTRUMENTS *continued*

25.5 Liquidity risk *continued*

Maturity analysis continued

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Less than 1 year RM	1-2 years RM	2-5 years RM
1 January 2011						
Group						
<i>Non-derivative financial liabilities</i>						
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	-	-
	<u>22,169,823</u>		<u>23,021,491</u>	<u>17,556,677</u>	<u>1,092,736</u>	<u>4,372,078</u>
Company						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	339,000	-	339,000	339,000	-	-
	<u>339,000</u>		<u>339,000</u>	<u>339,000</u>	<u>-</u>	<u>-</u>

** The contractual cash flows of trade and other payables exclude derivatives and where applicable accruals for interest on borrowings which have been included in the contractual cash flows of the respective financial liabilities.

25.6 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.

25.6.1 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.

Notes to the Financial Statements *continued*

25. FINANCIAL INSTRUMENTS *continued*

25.6 Market risk *continued*

25.6.1 Currency risk *continued*

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
31 December 2012			
Trade receivables	28,104	1,492,702	-
Cash and bank balances	10,946,039	705,692	19,294
Trade payables	(356,655)	-	-
	10,617,488	2,198,394	19,294
31 December 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
1 January 2011			
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	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Investment in a subsidiary	18,500,897	19,169,422	18,667,272
Advances to a subsidiary	11,138,809	11,332,519	10,547,930
	29,639,706	30,501,941	29,215,202

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*

25. FINANCIAL INSTRUMENTS *continued*

25.6 Market risk *continued*

25.6.1 Currency risk *continued*

Currency risk sensitivity analysis continued

	Group		Company	
	Equity RM	Profit or loss RM	Equity RM	Profit or loss RM
2012				
USD	(2,183,879)	(796,312)	(2,222,978)	(2,222,978)
SGD	(164,880)	(164,880)	-	-
EURO	(1,447)	(1,447)	-	-
	(2,350,206)	(962,639)	(2,222,978)	(2,222,978)
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)

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.

25.6.2 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		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Fixed rates instruments						
Financial assets	2,411,562	4,636,655	2,671,977	11,211,653	577,883	344,708
Financial liabilities	-	-	(282,779)	-	-	-
Floating rates instruments						
Financial assets	-	-	-	8,740,881	-	-
Financial liabilities	(3,990,906)	(4,871,916)	(5,712,409)	-	-	-

Notes to the Financial Statements *continued*

25. FINANCIAL INSTRUMENTS *continued*

25.6 Market risk *continued*

25.6.2 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 rates 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.

25.7 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:

	31.12.2012		31.12.2011		1.1.2011	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group						
Unit trusts						
(Quoted)	1,580,610	1,580,610	5,207,687	5,207,687	-	-
Forward exchange contracts:						
Assets/ (Liabilities)	52,800	52,800	(355,203)	(355,203)	763,770	763,770
Secured term loans	(3,990,906)	(3,990,906)	(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)	19,879,690	19,879,690	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.

Notes to the Financial Statements *continued*

25. FINANCIAL INSTRUMENTS *continued*

25.7 Fair values of financial instruments *continued*

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).

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:

	31.12.2012	31.12.2011	1.1.2011
Secured term loans	4.95%	4.95%	5.20%
Finance leases	-	-	6.00%

25.7.1 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).

	Level 1 RM	Level 2 RM	Level 3 RM
2012			
Financial assets			
Unit trusts (Quoted)	1,580,610	-	-
Forward exchange contracts	-	52,800	-
2011			
Financial assets			
Unit trusts (Quoted)	5,207,687	-	-
Financial liabilities			
Forward exchange contracts	-	(355,203)	-

Notes to the Financial Statements *continued*

26. 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 than RM40 million. The Company has complied with this requirement.

27. CAPITAL AND OTHER COMMITMENTS

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 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	345,393	12,012,207	4,049,700
	345,393	12,012,207	32,342,700

28. 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 or jointly 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. Related parties may be individuals or other entities.

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

The Group has related party relationship with its subsidiaries, jointly controlled entity, companies which certain directors have interest and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 9 and 15.

Notes to the Financial Statements *continued*

28.RELATED PARTIES *continued*

Significant related party transactions *continued*

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Subsidiaries				
Interest income on loans	-	-	1,021,554	500,850
Jointly controlled entity				
Sales of goods	10,154	-	-	-
Other related party transactions				
<i>A company in which a Director of the Company has interests:</i>				
Sales of goods	10,714,321	11,524,170	-	-
Purchase of goods	856,551	688,745	-	-
<i>A company in which a person related to a Director of the Company has interests:</i>				
Purchase of goods	7,927,869	7,515,736	-	-
Key management personnel				
<i>Directors:</i>				
- Fees	264,000	264,000	264,000	264,000
- Remuneration	1,642,083	1,659,958	-	-
- Other short term employee benefit	49,400	49,400	-	-
Total short term employee benefit	1,955,483	1,973,358	264,000	264,000
Other key management personnel:				
Short term employee benefit	2,939,295	2,512,600	-	-
Other short term employee benefit	24,500	26,250	-	-
Total short term employee benefit	2,963,795	2,538,850	-	-

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.

In addition to their salaries, the Group also provides non-cash benefits to key management. For salaried key management personnel, the Group contributes to state plans at the minimum statutory rate.

The estimated monetary value of Directors' benefit-in-kind is RM49,400 (2011: RM49,400).

29.EXPLANATION OF TRANSITION TO MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the financial statements of the Group and the Company.

Notes to the Financial Statements *continued*

30.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 2012, 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	
	2012 RM	2011 RM	2012 RM	2011 RM
The retained earnings of the Company and its subsidiaries:				
- Realised	88,713,513	75,613,387	17,344,088	16,756,303
- Unrealised	(8,639,267)	(6,330,154)	(3,810,181)	(2,948,075)
	80,074,246	69,283,233	13,533,907	13,808,228
Total share of post-acquisition reserve of jointly controlled entity				
- Realised	(10,248)	-	-	-
	80,063,998	69,283,233	13,533,907	13,808,228
Less: Consolidation adjustments	(21,577,494)	(22,181,238)	-	-
Total group retained earnings as per consolidated accounts	58,486,504	47,101,995	13,533,907	13,808,228

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 Malaysian Financial Reporting Standards, International 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 2012 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 30 on page 98 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 HOCK

.....
KWAN SOK KAY

Kuala Lumpur,

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 23 April 2013.

.....
TEOH SOON TEK

Before me: 23 April 2013

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 2012 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 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 so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other 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 30 on page 98 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 Malaysian Financial Reporting Standards or International 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: 2823/04/15(J)
Chartered Accountant

Petaling Jaya,
Date: 23 April 2013

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
<ul style="list-style-type: none"> Held under H.S. (D) No. 135852, PT129351, Mukim dan Daerah Klang, Negeri Selangor, with address at Lot 96, Section 4, Phase 2C, Selangor Halal-Hub, Pulau Indah, Selangor Darul Ehsan 	Vacant Land	Leasehold interest for a term of 99 years expiring on 24 February 2097	N/A	12 October 2011	63,079.9 sq. metres	N/A	14,638,648
<ul style="list-style-type: none"> Held under H.S. (D) No. 98527, Bandar Shah Alam, Daerah Petaling, Negeri Selangor, with address at Lot 20, Jalan Pengapit 15/19, 40000 Shah Alam, Selangor Darul Ehsan 	A double storey factory for manufacturing activities with cold storage facilities, and a double storey office attached	Leasehold interest for a term of 99 years expiring on 6 August 2074	33 years	28 May 2004	7,337.24 sq. metres/ 6,417.91 sq. metres	23 May 2007	6,018,232
<ul style="list-style-type: none"> 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	14 years	31 May 2005	289.86 sq. metres/ 254 sq. metres	2 November 1998	319,665
<ul style="list-style-type: none"> 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	23 years	28 June 1999	4,484 sq. metres/ 3,149.43 sq. metres	24 September 1990	1,889,812
<ul style="list-style-type: none"> 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	23 years	25 May 2005	21,796 sq. metres/ 3,584.91 sq. metres	7 May 1990	7,402,275

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
<ul style="list-style-type: none"> Parcel No. 2F-41C with address at 41C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan <p>Held under Master Title H.S. (D) 56067 PT 59174 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan</p>	Shop apartment occupied as staff hostel	Freehold	13 years	16 May 2003	67.85 sq. metres	27 March 2003	52,442
<ul style="list-style-type: none"> Parcel No. 2B-41D with address at 41D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan <p>Held under Master Title H.S. (D) 56067 PT 59174 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan</p>	Shop apartment occupied as staff hostel	Freehold	13 years	29 July 2003	67.85 sq. metres	27 March 2003	48,789
<ul style="list-style-type: none"> Parcel No. 2F-31C with address at 31C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan <p>Held under Master Title H.S. (D) 56062 PT 59169 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan</p>	Shop apartment occupied as staff hostel	Freehold	13 years	16 May 2003	67.85 sq. metres	27 March 2003	52,442
<ul style="list-style-type: none"> Parcel No. 2B-21D with address at 21D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan <p>Held under Master Title H.S. (D) 56057 PT 59164 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan</p>	Shop apartment occupied as staff hostel	Freehold	13 years	29 July 2003	67.85 sq. metres	27 March 2003	48,789

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
<ul style="list-style-type: none"> 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 <p>Held under Master Title H.S. (D) 67189 Lot No. P.T. No. 65634 in the Mukim Klang District of Klang State of Selangor</p>	Shop apartment occupied as staff hostel	Freehold	12 years	21 February 2001	69.52 sq. metres	26 October 2004	46,399
<ul style="list-style-type: none"> 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 <p>Held under Master Title H.S. (D) 67190 Lot No. P.T. No. 65635 in the Mukim Klang District of Klang State of Selangor</p>	Shop apartment occupied as staff hostel	Freehold	12 years	21 February 2001	69.52 sq. metres	26 October 2004	46,399
<ul style="list-style-type: none"> 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 <p>Held under Master Title H.S. (D) 67206 Lot No. P.T. No. 65651 in the Mukim Klang District of Klang State of Selangor</p>	Shop apartment occupied as staff hostel	Freehold	12 years	21 February 2001	69.52 sq. metres	26 October 2004	46,399
<ul style="list-style-type: none"> 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 <p>Held under Master Title H.S. (D) 67207 Lot No. P.T. No. 65652 in the Mukim Klang District of Klang State of Selangor</p>	Shop apartment occupied as staff hostel	Freehold	12 years	21 February 2001	69.52 sq. metres	26 October 2004	46,399

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	12 years	21 February 2001	69.52 sq. metres	26 October 2004	46,399
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	4 years	26 December 2006	40,773.90 sq. metres/ 16,000 sq. metres	N/A	16,752,166
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	7 years	19 January 2007	223.44 sq. metres	N/A	415,649
Apartment at Unit 2904 Building No. 9, Zhongnan Century City, Chongchuan District, Nantong, Jiangsu Province, 226009 China	Apartment	Leasehold interest for a term of 75 years expiring on 1 April 2075	4 years	30 December 2006	179.42 sq. metres	N/A	469,401
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 5 April 2013*

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	43	3.52	1,227	0.00
100 to 1,000	665	54.46	125,634	0.10
1,001 to 10,000	319	26.13	1,522,500	1.30
10,001 to 100,000	141	11.55	4,772,145	3.98
100,001 to less than 5% of issued shares	49	4.01	26,428,500	22.02
5% and above of issued shares	4	0.33	87,119,994	72.60
Total	1,221	100.00	120,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As per Register of Substantial Shareholders as at 5 April 2013)

Name of Substantial Shareholders	Direct		Indirect	
	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 5 April 2013)

Name of Directors	Direct		Indirect	
	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 5 April 2013 • continued*

LIST OF THIRTY (30) LARGEST SHAREHOLDERS as at 5 April 2013

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

No.	Name of Shareholders	No. of Shares	%
1.	Gan Thiam Chai	39,959,994	33.30
2.	Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Goshenite Limited</i>	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.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Wu Chung Chen</i>	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.	HLIB Nominee (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chen Tsai Tien</i>	1,018,050	0.85
11.	HLIB Nominee (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chiang Peter</i>	868,000	0.72
12.	Lai Yew Chung	793,000	0.66
13.	Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Shah Kamal Kant Zaverchand (Dealer 065)</i>	772,350	0.64
14.	HLIB Nominee (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Wu Chia Lung</i>	740,550	0.62
15.	Kong Poh Kheng	739,050	0.62
16.	HLIB Nominee (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Wong Chi Fu</i>	697,500	0.58
17.	Loh Ah Heng	645,500	0.54
18.	TA Securities Holdings Berhad <i>IVT (DDG)</i>	610,000	0.51
19.	Teo Kwee Hock	580,400	0.48
20.	Lai Yew Weng	580,200	0.48
21.	Lydia Claire Lim Lih Yueah	509,000	0.42
22.	Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohd Ibrahim bin Mohd Zain (DLR 065-Margin)</i>	500,000	0.42
23.	Lim Seong Tin	474,000	0.40
24.	Amanahraya Trustees Berhad <i>Public Far-East Consumer Themes Fund</i>	438,800	0.37
25.	Leong Kim Mooi	394,600	0.33
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	292,900	0.24
30.	Lorna Marie Koh	262,500	0.22
Total		109,901,594	91.58

Analysis on Warrant Holdings As Per Record of Depositors as at 5 April 2013

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	629	53.31	44,640	0.08
100 to 1,000	129	10.93	84,062	0.14
1,001 to 10,000	268	22.71	1,105,100	1.84
10,001 to 100,000	117	9.91	3,787,572	6.31
100,001 to less than 5% of issued warrants	33	2.80	11,418,625	19.03
5% and above of issued warrants	4	0.34	43,560,001	72.60
Total	1,180	100.00	60,000,000	100.00

SUBSTANTIAL WARRANT HOLDERS

(As per Register of Substantial Warrant Holders as at 5 April 2013)

	Direct		Indirect	
Name of Substantial Warrant Holders	No. of Shares	%	No. of Shares	%
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	5,030,250	8.38	-	-
5. Nareshchandra Gordhandas Nagrecha	-	-	14,400,000*	24.00

Note:-

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

DIRECTORS' WARRANT HOLDINGS

(As per Register of Directors' Warrant Holdings as at 5 April 2013)

	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*	24.00

Note:-

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

Analysis on Warrant Holdings As Per Record of Depositors as at 5 April 2013 • continued

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS as at 5 April 2013

No.	Name of Warrant Holders	No. of Warrants	%
1.	Gan Thiam Chai	19,980,001	33.30
2.	Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Goshenite Limited</i>	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.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Wu Chung Chen</i>	715,500	1.19
9.	Yap Sook Chen	537,600	0.90
10.	ECML Nominees (Tempatan) Sdn Bhd <i>Heng Yong Kang @ Wang Yong Kang (EMI-D88)</i>	530,000	0.88
11.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chen Tsai Tien</i>	509,025	0.85
12.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Chiang Peter</i>	434,000	0.72
13.	Lai Yew Chung	396,500	0.66
14.	Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Shah Kamal Kant Zaverchand (Dealer 065)</i>	386,175	0.64
15.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Wu Chia Lung</i>	359,925	0.60
16.	HLIB Nominees (Asing) Sdn Bhd <i>Hong Leong Bank Bhd for Wong Chi Fu</i>	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 <i>Public Far-East Consumer Themes Fund</i>	219,400	0.37
21.	Leong Kim Mooi	192,250	0.32
22.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Len Book Learn (M66002)</i>	177,400	0.30
23.	Min Seng Realty Sdn Bhd	176,075	0.29
24.	Lim Chai Chang	165,000	0.28
25.	Chua Sook Ming	162,175	0.27
26.	Teo Kwee Hock	160,150	0.27
27.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mah Yat Ming</i>	137,000	0.23
28.	Lorna Marie Koh	131,250	0.22
29.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Felix Miller</i>	121,750	0.20
30.	Hew Kim Fah	117,900	0.20
Total		54,205,676	90.34

APPENDIX I



Kawan Food Berhad

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

T 603 5511 8388, 603 5519 2751, 603 5519 2752
F 603 5519 3901, 603 5511 6288

info@kawanfood.com

Date: 23 April 2013

Messrs Cheng & Co
Wisma Cheng & Co
No. 16-2 Jalan 2/114
Kuchai Business Centre
Off Jalan Klang Lama
58200 Kuala Lumpur

Attention: Mr. Tom Wong/Mr. Steven Yap

Dear Sirs,

KAWAN FOOD BERHAD
- Notice of Nomination of Messrs Cheng & Co

We are pleased to inform you that your firm has been nominated as the Auditors in place of the retiring Auditors, Messrs KPMG by a shareholder of the Company pursuant to Section 172(11) of the Companies Act, 1965 ("Act"). A copy of the Notice of Nomination is attached herewith for your attention.

Please let us have your consent to act as the Company's Auditors pursuant to Section 9 of the Act.

Yours faithfully
KAWAN FOOD BERHAD

GAN THIAM HOCK
Director

www.kawanfood.com



PaSionBake



APPENDIX II

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		Interpretation	
	Words	Meanings	Words	Meanings
	-	No definition for "Cash Distributions"	Cash Distributions	Cash payment made by the Company in respect of its securities which are listed and quoted for trading on Bursa Securities, as prescribed by Bursa Securities from time to time which include:- a) Cash dividends; b) Payment of interest or profit rates on debt securities or sukuk respectively; c) income distributions made by collective investment schemes; d) Capital repayments; and e) Cash payments in lieu of odd lots arising from distributions in specie.
	Share Scheme for Employees	A share scheme involving a new issue of shares to employees and/or Directors	Share Issuance Scheme	A new scheme involving a new issue of shares to employees and/or Directors
6	Shares may be issued subject to different conditions		Share may be issued subject to different conditions	
	b) No Director of the Company shall participate in a Share Scheme for Employees unless the members in general meeting have approved the specific allotment to such Director.		b) No Director of the Company shall participate in a Share Issuance Scheme for Employees unless the members in general meeting have approved the specific allotment to such Director.	

APPENDIX II *continued*

Article No.	Existing Articles	Amended Articles
128	<p>Dividend Payable</p> <p>Any dividend or other money payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or, if several persons are entitled in consequence of the death or bankruptcy of the holder, to any one of such persons or to such persons and such address as such persons may by writing direct or by directly crediting the dividend entitlement into the member's bank account as provided to the Central Depository from time to time. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or such person as the holder may direct and payment of the cheque or the direct crediting to the members' bank account shall be a good discharge to the Company, Every such cheque or warrant shall be sent or directly credited at the risk of the person entitled to the money represented thereby. Where the members have provided to the Central Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash dividends into the member's bank accounts.</p>	<p>Cash Distributions</p> <p>All cash distributions in respect of securities may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or, if several persons are entitled in consequence of the death or bankruptcy of the holder, to any one of such persons or to such persons and such address as such persons may by writing direct or by directly crediting the payments into the member's bank account as provided to the Bursa Depository from time to time. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or such person as the holder may direct and payment of the cheque or the direct crediting to the members' bank account shall be a good discharge to the Company, Every such cheque or warrant shall be sent or directly credited at the risk of the person entitled to the money represented thereby. Where the members have provided to the Bursa Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash distributions into the member's bank accounts.</p>



NINTH ANNUAL GENERAL MEETING Form of Proxy

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 Ninth Annual General Meeting of the Company to be held at **Ivory 12, Holiday Villa Subang, 9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Friday, 31 May 2013 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
	ORDINARY BUSINESS		
1.	To approve the payment of Directors' fees for the financial year ended 31 December 2012.		
2.	To re-elect the following Directors who are retiring in accordance with Article 80 of the Company's Articles of Association:-		
	2.1 Mr. Gan Thiam Chai		
	2.2 Mr. Gan Thiam Hock		
	2.3 Mr. Chen Seng Chong		
3.	To appoint Messrs. Cheng & Co. as the Company's Auditors and to authorise the Board of Directors to fix their remuneration.		
	SPECIAL BUSINESS		
4.	Ordinary Resolution - Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
5.	Ordinary Resolution - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Shana Foods Limited and Rubicon Food Products Limited.		
6.	Ordinary Resolution - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with K. C. Belight Food Industry (M) Sdn. Bhd., Food Valley Sdn. Bhd. and Hot & Roll Sdn. Bhd.		
7.	Special Resolution - 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]

Notes :-

- In respect of the deposited securities, only members whose names appear in the Record of Depositors as at 23 May 2013 will be entitled to attend, speak and vote at the Meeting.
- A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy in his/her stead.
- A proxy may but need not be a member of the Company and the provision of Section 149(1) (b) of the Act shall not apply to the Company.
- A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. Where a member appoints more than two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his shareholdings to be represented by each proxy.
- 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 in writing.
- Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy must be deposited at the Company's 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 forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

Signature / Common Seal of Shareholder(s)

Dated this day of 2013

Number of ordinary shares held :

CDS Account No. :

[* Delete if not applicable]

please fold here

Affix STAMP

THE COMPANY SECRETARY

KAWAN Food Berhad 640445-V
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