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Corporate Information

DIRECTORS

GAN THIAM CHAI

Executive Chairman

KWAN SOK KAY

Non-Independent

Executive Director

TIMOTHY TAN HENG HAN

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

NOMINATING 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 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

CHENG & CO

No. 8-2 & 10-2 Jalan 2/114 Kuchai Business Centre Off Jalan Kuchai Lama 58200 Kuala Lumpur, Malaysia

T +603 7984 8988 F +603 7984 4402

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 Tenth Annual General Meeting of KAWAN FOOD BERHAD will be held at Mauna Lani B, Level 1, Holiday Inn Kuala Lumpur Glenmarie, 1, Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Friday, 30 May 2014 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 2013 together with the Directors' and Auditors' Reports thereon.

2. To approve the payment of Directors' fees for the financial year ended 31 December 2013.

3. To re-elect the following Directors who retire pursuant to Article 80 of the Company's Articles of Association:-

(a) Madam Kwan Sok Kay

(b) Mr. Soo Yoke Mun

(c) Mr. Nareshchandra Gordhandas Nagrecha

- 4. To re-elect Mr. Timothy Tan Heng Han who retires pursuant to Article 85 of the Company's Articles of Association.
- 5. To re-appoint Messrs. Cheng & Co. as the Company's Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:-

- 6. To re-appoint the following Directors as Independent Non-Executive Directors of the Company:-
 - (a) Mr. Chen Seng Chong
 - (b) Mr. Lim Peng @ Lim Pang Tun
- 7. To consider and, if thought fit, to pass with or without modifications, the following Ordinary Resolutions:

7.1 Ordinary Resolution 1

Authority for Directors to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965

"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 ("Bursa Securities") AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7.2 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")

"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 8 May 2014, 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.

Note B

Resolution 1

Resolution 2

Resolution 3

Resolution 4

Resolution 5

Resolution 6

Resolution 7
Resolution 8

Resolution 9

Resolution 10

Notice of Annual General Meeting continued

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."

7.3 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 8 May 2014, 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."

8. 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 8 May 2014 Resolution 11

Notice of Annual General Meeting continued

Notes:

A. PROXY

- 1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy in his / her stead.
- 2. 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.
- 3. 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/her shareholdings to be represented by each proxy.
- 4. 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.
- 5. 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.

B. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

Resolutions 7 & 8 - Retention of Independent Non-Executive Directors

Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 recommends that shareholders' approval must be sought in the event that the Company intends to retain the Independent Non-Executive Directors who have served in that capacity more than 9 years.

The Nominating Committee has at the annual assessment assessed the independence of Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun who had served more than 9 years, remain objective and independent in expressing their view and in participating in deliberations and decision making of the Board and Board Committees. Their length of service on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company. In addition, Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun had individually confirmed and declared in writing that they are Independent Directors and they have satisfied all the criteria of an Independent Director set out in paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board has therefore recommended that the approval of the shareholders be sought to re-appoint Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun as Independent Non-Executive Directors.

Resolutions 7 & 8 if passed, will enable the Company to retain Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun as Independent Non-Executive Directors.

Resolution 9 - 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 Ninth Annual General Meeting held on 31 May 2013 which will lapse at the conclusion of the Tenth 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 Ninth Annual General Meeting because there were no investment(s), acquisition(s) or working capital that required fund raising activity.

Resolutions 10 & 11 - Proposed Renewal of Shareholders' Mandate

The Proposed Ordinary Resolutions under items 7.2 and 7.3 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 8 May 2014 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 8 May 2014 enclosed together with the Company's 2013 Annual Report.

D. GENERAL MEETING RECORD OF DEPOSITORS

For the purpose of determining whether a member is entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 55(3) of the Company's Article of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 23 May 2014. Only a depositor whose name appears in the Record of Despositors as at 23 May 2014 will be entitled to attend, speak and vote at the Meetina.

Statement Accompanying Notice of Annual General Meeting

Details of the Directors standing for election/re-appointment at the Tenth Annual General Meeting are set out in the profile of Directors in the 2013 Annual Report.

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Chief Executive Officer's Profile

JON FANG NEE CHOONG

Chief Executive Officer

Jon Fang Nee Choong, aged 53, 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 60, 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"). 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, brother of Mr. Gan Thiam Hock and father-in-law of Mr. Timothy Tan Heng Han. 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 four (4) out of five (5) Board Meetings held during the financial year ended 31 December 2013.



Directors' Profiles continued

GAN THIAM HOCK

Non-Independent Executive Director

Gan Thiam Hock ("T.H.Gan"), aged 51, 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 of Mr. T.C. Gan and brother-in-law of 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 four (4) out of five (5) Board Meetings held during the financial year ended 31 December 2013.

KWAN SOK KAY

Non-Independent Executive Director

Kwan Sok Kay, aged 59, 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, sister-in-law of Mr. T.H. Gan and mother-in-law of Mr. Timothy Tan Heng Han. She has no conflict of interest with the Company except that she is a substantial shareholder of the Company. She has never been convicted for any offence within the past ten (10) years. She attended all the five (5) Board Meetings held during the financial year ended 31 December 2013.

TIMOTHY TAN HENG HAN

Non-Independent Executive Director

Timothy Tan Heng Han, aged 32, a Malaysian, was appointed to the Board on 25 November 2013.

Mr. Timothy Tan graduated with Bachelor of Business in Marketing (Sub majors in Business Information Systems and Advanced Advertising) from the University of Technology Sydney, Australia. He also obtained Diploma in Marketing Communications from International Advertising Association and Diploma in Marketing Research from Marketing Research Society of Australia.

Mr. Timothy Tan is currently the Deputy General Manager (Exports) of KFM.

He began his career in year 2003 as a Worksite Marketing Executive in Allianz Life Insurance (M) Berhad. In year 2004, he joined KFM as Marketing Executive and was promoted to the Head of Exports for the Group. In addition, he also oversees the launch of new products in existing markets and brands owned by the Group in overseas market.

Mr. Timothy Tan is the son-in-law of Mr. T.C. Gan and Mdm. Kwan Sok Kay. He has never been convicted for any offence within the past ten (10) years. He attended the remaining one (1) Board Meetings held during the financial year ended 31 December 2013 subsequent to his appointment.

Directors' Profiles continued

CHEN SENG CHONG

Senior Independent Non-Executive Director

Chen Seng Chong, aged 65, a Malaysian, was appointed to the Board on 16 May 2005. He is also the Chairman of the Nominating 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 Investment Development Authority ("MIDA")) as a Project Evaluation Engineer. He was with MIDA for twenty-four (24) years and his last held position in MIDA was Deputy Director of the Electrical and Electronics Industries Division. He took optional retirement in 1997 and joined Bright Rims Manufacturing Sdn. Bhd. as General Manager. In 2000, he left the company and became an independent Industrial

Consultant. He is a Member of the Institution of Engineers, Malaysia.

Mr. Chen does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past ten (10) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2013.

LIM PENG @ LIM PANG TUN

Independent

Non-Executive Director

Lim Peng @ Lim Pang Tun, aged 58, 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 Nominating 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 2013.

SOO YOKE MUN

Independent Non-Executive Director

Soo Yoke Mun, aged 64, 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 30 years of working experience in the field of accounting, auditing and taxation. He is the partner of Y M Soo & Co., an accounting firm which was established since 1978.

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 2013.

Directors' Profiles continued

JAYENDRA JANARDAN VED

Non-Independent Non-Executive Director

Jayendra Janardan Ved, aged 51, a British national, 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 sales 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 2013.

NARESHCHANDRA GORDHANDAS NAGRECHA

Non-Independent Non-Executive Director

Nareshchandra Gordhandas Nagrecha, aged 63, a British national, was appointed to the Board on 31 December 2009. He is a member of the Nominating 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 an international soft drink company as Technical Manager within the R&D department. In 1982, he 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. 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. Mr. Nagrecha is keenly involved in charitable work with Sanskruit Foundation 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 2013.



Group Corporate Structure

KAWAN Food Berhad 640445-v • Annual Report 2013

KG PASTRY MARKETING SDN. BHD.

Trading and distribution of frozen food products

100%

KAYANGAN MANISAN (M) SDN. BHD.

Trading and distribution of frozen food products

51%

KAWAN FOOD MANUFACTURING SDN. BHD.

Manufacturing and sales of frozen food products

100%

KAWAN FOOD (HONG KONG) LIMITED

Trading and distribution of frozen food products

100%

KAWAN FOOD BERHAD

Investment holding



Trading and distribution of frozen food products

100%

KAWAN FOOD (NANTONG) CO., LTD.

Manufacturing and sales of frozen food delicacies

100%

HOT AND GO MANAGEMENT SDN. BHD.

Operators and proprietors of café, bistro and restaurant

50%

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Group Financial Highlights

	2013	2012	2011	2010	2009
KEY RESULTS (RM'000)					
Revenue	126,426	110,227	104,027	92,188	87,635
Operating profit (EBITDA)	26,795	23,134	23,526	23,175	21 055
Profit before tax	20,645	16,881	18,117	17,810	17,749
Net profit attributable					port
to shareholders of the Company	16,176	13,545	14,206	14,163	13,575 = 13,575
BALANCE SHEET AND					Annı
OTHER KEY DATA (RM'000)					21,955 17,749 17
Total assets	159,645	140,919	129,899	118,670	109,070 g
Total liabilities	23,833	22,122	21,697	24,717	25,952
Share capital		,	,	,	d Be
(Ordinary shares of RM0.50 each)	60,000	60,000	60,000	60,000	60,000 🖁
Equity attributable					ÄN
to shareholders of the Company	135,839	118,808	108,200	93,953	83,113
Total borrowings	3,066	3,991	4,872	5,995	8,042
Total equity	135,812	118,796	108,201	93,953	83,117
Net cash from operating activities	22,022	23,055	7,156	18,322	16,532 13
Cash and cash equivalents	36,146	25,614	16,800	23,034	16,627
FINANCIAL RATIOS					
Revenue growth (%)	14.70	5.96	12.84	5.20	16.50
Current ratio (times)	3.98	3.5	3.8	2.9	2.3
Cash ratio (times)	1.93	1.5	1.1	1.3	0.9
P/E ratio (times)	10.31	7.66	8.45	12.29	11.40
Total borrowings/Equity (%)	2.26	3.36	4.50	6.38	9.68
Long term borrowings/Equity (%)	1.54	2.58	3.67	5.17	7.21
SHARE INFORMATION					
Basic earnings per share (sen)	13.48	11.29	11.84	11.80	11.31
Dividend per share (sen)	1.80	1.80	1.40	1.40	-
Net assets per share attributable					
to shareholders of the Company (RM)	1.13	0.99	0.90	0.78	0.69
Share price - High (RM)	1.39	1.10	1.42	1.67	1.61
Share price - Low (RM)	0.77	0.80	0.80	1.00	0.85
Share price as at 31 December (RM)	1.39	0.865	1.00	1.45	1.29
Company market capitalisation (RM'000)	166,800	103,800	120,000	174,000	154,800

Executive Chairman's Statement

Applying Passion in life

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Kawan Food Berhad and its subsidiaries ("the Group") for the financial year ended 31 December 2013



Executive Chairman's Statement continued



FINANCIAL HIGHLIGHTS

2013 marked a significant milestone for Kawan Food Berhad as sales revenue exceeded RM120 million, a feat that has never been achieved in the history of the Company before. The achievement for the financial year ended 31 December 2013 would not have been possible if not for the immense support, input and the hard work rendered by the Board of Directors, the Management team and entire staff force of the Group. I value very much the hard work, diligence, invaluable contribution and the loyalty of each and every colleague of mine. I hope that this team spirit will continue to be reinforced in the coming years so that the Group's achievements can be brought to greater heights.

The Group recorded sales of RM126 million for the financial year ended 31 December 2013, a 14.7% increase over the previous year's sales of RM110 million. The growth came from all the business units with export and domestic sales being the key contributors. Profit before tax grew from RM16.9 million in the previous year to RM20.6 million in the year under review.

Profit after tax ("PAT") at RM16.1 million for the financial year ended 31 December 2013 was an increase of 19% compared to PAT for the financial year ended 31 December 2012.

DIVIDEND

On 10 May 2013, the Company declared an interim tax exempt dividend of 1.8 sen per ordinary share totaling RM2,160,000 in respect of the financial year ended 31 December 2013. The dividend was paid on 12 June 2013.

On 28 February 2014, the Company declared an interim single tier dividend of 1.8 sen per ordinary share and a special single tier dividend of 3.6 sen per ordinary share totaling RM6,495,897.08 in respect of the financial year ending 31 December 2014. The dividends were paid on 15 April 2014.

The Board does not recommend any final dividend in respect of the financial year ended 31 December 2013.

CORPORATE SOCIAL RESPONSIBILITY

In line with its objective to give back to society, especially the underprivileged, the Group continues to provide contributions in the form of food products, stationeries, goodies bags for our adopted orphanages – the Pertubuhan Kebajikan Anak-Anak Yatim & Miskin and Rumah Ozanam. This year, we also had the opportunity to bring the children to the Aquaria KLCC. The children had a fantastic time seeing the many different species of fishes in the aquarium.

In cultivating sportsmanship and promoting health and fitness amongst the staff, we have organized our own internal badminton tournament to get our management and staff interested in sports activities. The Mixed Doubles tournament was very well received.

Executive Chairman's Statement continued

Under the initiative of the Group's Communications & Community Committee (COMM3), a Rest & Relax outing was organised to Pantai Bagan Lalang where management and staff were joined by their families to participate in the various fun filled activities.

OUTLOOK AND PROSPECTS

In Malaysia, we have been operating out of our main manufacturing facilities in Section 15, Shah Alam for more than 10 years, and the other factory is located in Section 16, Shah Alam. As part of the Group's expansion plan, a new factory located in the Selangor Halal Hub in Pulau Indah, Port Klang is in the process of being built. These facilities when ready in 2015 shall allow us to consolidate our operations under one roof; thus increasing our capacities while at the same time enhancing efficiencies and control apart from catering to our business growth needs for the next 10 to15 years.

On the business front, the Group continued to build the KAWAN brand in key markets through both above the line and below the line activities. The Group had also launched a new brand in the USA to cater to a different segment of the market which had previously not been tapped by our existing distribution setup. As for our Nantong, China operations, the year 2013 had seen very good progress. We are, therefore confident, that with the able management team, we shall continue to grow significantly in China.

On the R&D front, there are on-going efforts to improve on existing products and new product development to ensure that we keep ahead in our core categories.

Going forward, the challenges remain ever present with the implementation of the minimum wages effective 2013 and also with the steep increase in the electricity tariffs. There will be renewed focus and investment on all fronts to develop the European market which we believe holds potential in the medium to long term.

...we shall continue to grow significantly...

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I wish to thank all our shareholders, consumers, distributors, suppliers and all our business associates for their continued support, trust and understanding.

My appreciation also goes to fellow Board members, management and staff for their co-operation, dedication and contribution to the Group.

Thank you.

GAN THIAM CHAIExecutive Chairman



Statement on **Corporate Governance**

Introduction

The Board of Directors ("the Board") of Kawan Food Berhad ("KFB" or "the Company") acknowledges the importance of having good corporate governance practices 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 best practices during the financial year ended 31 December 2013.

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, Nominating 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/Group.
- Overseeing the conduct of the Company/Group's business to evaluate whether the business is properly managed.
- Identifying principal risks and ensuring the implementation of appropriate actions/roles and mitigation measures.
- Investment and divestment.

The roles and responsibilities of the Board are set out in the Board Charter. The Board Charter also serves as a reference and primary induction literature to providing insights to prospective and existing board members and management. 18 The Board will review this Charter from time to time to ensure it remains consistent with its objectives and existing regulatory requirements. A copy of the Company's Board Charter is available at the Company's website.

BOARD BALANCE

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

In line with the recommendations of the Code, the Board has formalised a Code of Conduct of Ethics and Conduct for Directors to assist them to recognize and deal with unethical conduct and to help to foster a culture of honesty, trust, responsibility. The Code of Conduct of Ethics and Conduct for Directors is part of the Company's commitment to integrity, transparency and self-regulation.

The composition of the Board has complied with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires that at least two Directors or one-third (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 paragraph 1.01 of the Listing Requirements.

The presence of the Independent Directors is essential as it provides unbiased and independent views, advice and judgement as well as to safeguard the interests of other stakeholders such as minority shareholders and the community.

In line with the Code, the independence of the Board members is reviewed annually. For the financial year under review, the Independent Non-Executive Directors have reaffirmed their independence based on the paragraph 1.01 of the Main Market Listing Requirements of Bursa Securities. All the Independent Directors have demonstrated to the Board that they have exercised unbiased and independent judgement and participation in discussion, safeguarding the interest of the Group and the minority shareholders.

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 it intends to retain the independent director.

Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun would have served more than nine (9) years and agreed to be retained as Independent Non-Executive Directors. The Nominating Committee has evaluated their performance and has recommended them to the Board for re-appointment as Independent Non-Executive Directors. The Board is satisfied that they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interest of the Company. In view thereof, the approval of the shareholders of the Company will be sought for the re-appointment of Mr. Chen Seng Chong and Mr. Lim Peng @ Lim Pang Tun as Independent Non-Executive Directors at the Tenth Annual General Meeting of the Company.

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

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 Group.

In spite of the Chairman not being an Independent Director, the Board believes that the interest of the shareholders and the Company are protected by a strong presence of three 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 presence of two Non-Independent Non-Executive Directors (i.e. Mr. Nareshchandra Gordhandas Nagrecha and Mr. Jayendra Janardan Ved) who have no family relationship with the Chairman and/or the other Directors provided greater transparency and accountability at the Board level.

Further, the position of the Chairman and Chief Executive Officer ("CEO") are held by two different individual 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 and is neither to any member of the Board nor have any business or other relationship with 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 2013, the Board met five (5) times, with details of the attendance as follows:

Name of Directors	Number of Board Meetings Attended
Name of Directors GAN THIAM CHAI GAN THIAM HOCK KWAN SOK KAY LIM PENG @ LIM PANG TUN CHEN SENG CHONG	Number of Board Meetings Attended 4/5 4/5 5/5 5/5 5/5
SOO YOKE MUN JAYENDRA JANARDAN VED NARESHCHANDRA GORDHANDAS NAGRECHA TIMOTHY TAN HENG HAN*	5/5 3/5 4/5 1/1

^{*} Attended the remaining one (1) Board Meeting for the financial year ended 31 December 2013 subsequent to his appointment on 25 November 2013.

Each of the Directors has attended more than fifty percent (50%) of the total Board meetings held during the financial year ended 31 December 2013, thus fulfilling the requirements of the Listing Requirements.

Each Director is expected to attend all meetings of the Board, general meetings and each Committee Meeting that the Director is a member. The Board would agree on an annual basis on the meeting dates for the whole year so that each member of the Board is able to plan his/her schedule accordingly. This helps to ensure that the Board is committed to meet when the time arise.

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Statement on Corporate Governance continued

DIRECTORS' TRAINING

Mr. Timothy Tan Heng Han who was appointed on 25 November 2013 had attended the Mandatory Accreditation Programme ("MAP") on 12 and 13 February 2014. All the other Directors of the Company have attended the 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.

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 2013, the training programmes and seminars attended by the Directors are as follows:-

Name of Directors	Courses / Seminars / Conferences
GAN THIAM CHAI	KPMG Malaysian Tax Submit 2013
	Board Charter & Code of Ethics and Conduct
KWAN SOK KAY	KPMG Malaysian Tax Submit 2013
	Board Charter & Code of Ethics and Conduct
GAN THIAM HOCK	Getting Ready for GST in Malaysia
	Board Charter & Code of Ethics and Conduct
LIM PENG @ LIM PANG TUN	Board Charter & Code of Ethics and Conduct
	Corporate Disclosure For Directors
CHEN SENG CHONG	ICLIF Leadership & Governance Centre Nominating
	Committee Programme
	Board Charter & Code of Ethics and Conduct
SOO YOKE MUN	Board Charter & Code of Ethics and Conduct
	National Tax Conference 2013
	Budget 2014 Seminar
	MIA International Accountant Conference 2013
JAYENDRA JANARDAN VED	Financial Reporting & Accounting Update
	Property Companies - Accountings & Audit
	Accounting Issues - Investment Properties & SSAP19/FRSSE
	Valuation of Unquoted Companies & Business
	ESC16 - The New Regime & Disincorporation
	Accounting & Reporting for Small Companies
	Due Diligence in Practice
NARESHCHANDRA	Board Charter & Code of Ethics and Conduct
GORDHANDAS NAGRECHA	

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 and Audit Committee. Besides Board Meetings, the Board also exercises control on matters that require the 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 obtained 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 and/or his representative attends all Board and Committee Meetings where he and/or his representative 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 Nominating 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.

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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 as follows:-

- 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 27 to 29 of this Annual Report.

II Remuneration Committee

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

- 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 formalised. The Board as a whole will determine the remuneration packages of the Directors, with individual Directors abstaining from decisions in respect of their individual remuneration.

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 2013. Details of the attendance are as follows:-

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

III Nominating Committee

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

- 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 Nominating Committee is to act as a committee of the full Board to assist in discharging the following responsibilities:-

- (a) ensure that the Company recruits, retains, trains and develope the best available executive and non-executive directors and managers board rewards and succession effectively;
- (b) 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 and integrity. In the case of the candidates for the position of the Independent Non-Executive Directors, the Nominating Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;
- (c) 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;
- (d) recommend to the Board, Directors to fill the seats on Board Committees;
- (e) review the Board's structure and balance between Executive and Non-Executive Directors;
- (f) 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 Directors.
- (g) review the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors shall bring to the Board; and
- (h) perform any other ad-hoc duties that may be required by the Board.

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 2013. 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

In appointing the appropriate individual to the Board and membership of Board Committee, the Nominating Committee shall take into consideration the following:

- Skills, knowledge, expertise and experience
- Professionalism
- Boardroom diversity (including gender diversity)
- Background, character, competence, time commitment and integrity; and
- In the case of candidates for the position of Independent Non-Executive Directors, the candidates ability to discharge such responsibilities is also evaluated.

The Board is committed to provide fair and equal opportunities and to nurture diversity within the Group. The Nominating Committee will take steps to ensure women candidates are considered a part of the recruitment exercise. Currently, the Board has one female Non-Independent Executive Director.

The Nominating Committee is also responsible for carrying out an assessment the performance and effectiveness of the Board as a whole, as well as each individual on an annual basis. The annual assessment also includes specific assessment of independence of Independent Directors. In addition, the Nominating Committee also makes recommendation to the Board in relation to re-election and re-appointment of Directors.

During the financial year under review, the Nominating Committee undertook the following:

- Assessed the recommendation of Mr. Timothy Tan Heng Han for appointment as a Non-Independent Executive Director;
- Recommended to the Board, the Directors who are eligible to stand for re-election;
- Assessed the independence of Independent Directors; and
- Formalised the Directors' Performance Evaluation Form.

Directors' Remuneration

The aggregate Directors' remuneration paid to all Directors of the Company who served the Group during the year ended 31 December 2013 are as follows:-

	Fees RM'000	Benefits- in-kind RM'000	Salaries, Bonuses & EPF RM'000	Total RM'000
Executive Directors Non-Executive Directors	97 167	49 -	1,647 -	1,793 167
Total	264	49	1,647	1,960

The number of Directors of the Company who served during the financial year ended 31 December 2013 and whose income derived from the Group falls within the following bands are as follows:-

	Executive Directors	Non- Executive Directors
RM50,000 and below	_	5
RM250,001 to RM550,000	3	-
RM550,001 to RM850,000	1	-
Total	4	5

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

Shareholders Communication and Investors Relations

The Board acknowledges the need for the shareholders to be informed of all material business matters affecting the Company and the Group. 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, speak and vote on their behalf.

Shareholders' meetings are important events for the Board to meet the shareholders. The Chairman would allocate sufficient time to encourage the shareholders, proxies and the corporate representatives to ask questions pertaining to the matters tabled at general meetings. The Board, Management team and the Company's external auditors are present to answer questions raised and provide clarification as required by the shareholders, proxies and corporate representatives.

At the Ninth AGM, the Directors were present in person to engage with the shareholders. The external auditors were in attendance to respond to any shareholders' queries, if any.

The Company's website has a section dedicated to shareholders under Investor Relations that provides shareholders with detailed information on the Group's business, commitments and latest developments.

Whilst the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The Annual Report as well as those for past years are available through the Company's website.

Corporate Disclosure Policy

The Management will formalise a Corporate Disclosure Policy to be in compliance with the Code.

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 and information disclosed to ensure the accuracy, adequacy and completeness of its financial reporting.

A Statement on Directors' Responsibility for preparing the annual audited financial statements is set out on page 37 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.

A Statement on Risk Management and Internal Control, which provides an overview of the state of internal control within the Group is set out on pages 35 to 37 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 27 to 29 of this Annual Report.

WHISTLE-BLOWING POLICY

The Company is committed to promoting and maintaining high standards of integrity of transparency, accountability in the conduct of its business and operations. In line with this commitment and with the introduction of the Whistle Blower Protection Act 2010, the Company has formalised its Whistle-Blowing 26 Policy which encourages all employees and interested parties ("Reporting Individual") to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste and/or abuse involving resources of the Company.

The Whistle Blowing Policy adopted by the Company provides and facilitates a mechanism for any Reporting Individual to report concerns about any suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse.

The Whistle-Blowing Policy is posted on the Company's website.

POLL VOTING

The Board encourages participation at general meetings and will endeavor to put substantive resolutions and such resolutions as mandated by Bursa Securities to vote by poll. Generally resolutions will be carried out by show of hands, except for related party transaction wherein poll will be conducted as required by the Listing Requirement or as demanded by the shareholders in accordance with the Articles of Association of the Company.

All resolutions put forth at the Ninth Annual General Meeting held on 31 May 2013 were voted by a show of hands.

COMPLIANCE STATEMENT

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 21 April 2014.

KAWAN

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 (1) member of the Committee must be a member of the Malaysian Institute of Accountants ("MIA"). If he is not a member of MIA, he must fulfill such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

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

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

2. CHAIRMAN

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

3. SECRETARY

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

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

4. FREQUENCY OF MEETINGS

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

DETAILS OF ATTENDANCE

Five (5) meetings were held during the financial year ended 31 December 2013. Details of the attendance are as follows:-

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

SUMMARY OF ACTIVITIES

Audit Committee Report continued

The Committee carried out its duties in accordance with its terms of reference during the financial year ended 31 December 2013. The main activities undertaken by the Committee were as follows:-

- a) Reviewed the Group's unaudited quarterly financial results with the management and recommended to the Board for approval prior to release to Bursa Securities;
- b) Reviewed with the external auditors, the draft Audited Financial Statements for the financial year ended 31 December 2013 to ensure that the audited financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable accounting standards approved by Malaysian Accounting Standards Board prior to submission to the Board for consideration and approval;
- c) Reviewed with the external auditors, the audit plan, audit strategy and scope of work prior to commencement of annual audit;
- d) Reviewed the issues arising from the final audits, the comments and recommendations of the external auditors;
- e) Reviewed the performance of external auditors before recommending to the Board their reappointment and remuneration;
- f) Reviewed with the external auditors, the impact of adopting the revised/new Financial Reporting Standards;
- g) Reviewed with the external auditors, the significant risk areas and the Group's exposure;
- h) Reviewed with the internal auditors, the internal audit plans to ensure the adequacy of scope and coverage of audit:
- i) Reviewed with the internal auditors, the internal audit reports together with management's response and proposed action plans;
- i) 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;
- k) 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, at least twice annually without the presence of the executive directors and senior management.

5. AUTHORITY

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

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

6. DUTIES

The duties of the Committee shall be:-

- a) To review and recommend the appointment of external auditors, the audit fee and any questions of resignation or dismissal including the nomination of person or persons as external auditors;
- b) To discuss with the external auditors where necessary, the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved;
- c) To review the quarterly results and year end financial statements prior to approval by the Board, focusing on:-
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgmental areas
- d) To prepare Audit Committee Report at the end of each financial year;

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Audit Committee Report continued

- 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 meet with the external auditors at least twice a year without the presence of Executive Directors and management;
- g) To review the external auditors' management letter and management's response;
- h) To review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- i) 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;
- j) 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 2013, the amount of fees incurred in respect of the internal audit reviews performed by the external consultant was RM50,000.

Details pertaining to internal audit function are set out in the Statement on Risk Management and Internal Control on pages 35 to 37 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 2013.

SHARE BUY-BACK

The Company did not carry out any share buy-back during the financial year ended 31 December 2013.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrant or convertible securities exercised during financial year ended 31 December 2013.

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 2013.

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 2013.

NON-AUDIT FEE

There were no non-audit fees paid and payable to the external auditors, Messrs Cheng & Co for the financial year ended 31 December 2013.

VARIATION IN RESULTS

There was no material variance between the audited financial statements for the year ended 31 December 2013 and the announced unaudited financial statements for the fourth quarter ended 31 December 2013.

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.

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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 2013 obtained a general mandate from its shareholders for the Group to enter into recurrent related party transactions of revenue or trading nature.

The aggregate value of recurrent related party transactions conducted during the financial year ended 31 December 2013 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	Substantial shareholder of KFB 100% shareholder of Shana Mr. Nareshchandra Gordhandas Nagrecha ("Mr. Nagrecha") 49% shareholder of Goshenite Director of KFB and deemed interested in KFB through Goshenite Director of Shana and deemed interested in Shana through his shareholdings in Goshenite, which owns 100% interest in Shana Mr. Jayendra Janardan Ved ("Mr. Ved") Deemed interested by virtue of him being a person connected to Mr. Nagrecha	6,549,396
Rubicon Food Products Limited ("Rubicon")	Purchase of frozen food products from KFB or its subsidiaries	Goshenite • Substantial shareholder of KFB • 100% shareholder of Shana Mr. Nagrecha • 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 • Deemed interested by virtue of him being a person connected to Mr. Nagrecha Persons connected to Mr. Nagrecha: Mrs. Veena Nagrecha • Spouse of Mr. Nagrecha • Spouse of Mr. Nagrecha • Spouse of Mr. Nagrecha	3,079,946

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)
KAWAN Food Berhad 640445.v • Annual Report 2013	K.C. Belight Food Industry (M) Sdn. Bhd. ("KCB")	Purchase of frozen food products from KFB or its subsidiaries	Mr. Gan Thiam Hock Director of KFB Substantial shareholder of KFB Brother of Mr. Gan Thiam Chai Brother-in-law of Mdm. Kwan Sok Kay Spouse of Mdm. Lam Saw Kuan Mdm. Lam Saw Kuan Director and 50% shareholder of KCB Spouse of Mr. Gan Thiam Hock Persons connected to Mr. Gan Thiam Hock:- Mr. Gan Thiam Chai Director of KFB Substantial Shareholder of KFB Brother of Mr. Gan Thiam Hock Brother-in-law of Mdm. Lam Saw Kuan Spouse of Mdm. Kwan Sok Kay Mdm. Kwan Sok Kay Director of KFB Substantial Shareholder of KFB Spouse of Mdm. Gan Thiam Chai Sister-in-law of Mr. Gan Thiam Hock and Mdm. Lam Saw Kuan	910,758
32	КСВ	Sale of frozen food products to KFB or its subsidiaries	Mr. Gan Thiam Hock Director of KFB Substantial shareholder of KFB Brother of Mr. Gan Thiam Chai Brother-in-law of Mdm. Kwan Sok Kay Spouse of Mdm. Lam Saw Kuan Mdm. Lam Saw Kuan Director and 50% shareholder of KCB Spouse of Mr. Gan Thiam Hock Persons connected to Mr. Gan Thiam Chai 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 Director of KFB Substantial shareholder of KFB Spouse of Mdm. Kwan Sok Kay Mdm. Kwan Sok Kay Director of KFB Substantial shareholder of KFB Substantial shareholder of KFB Sibstantial shareholder of KFB	1,251,200

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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") Food Valley")	Sale of frozen food products to KFB or its subsidiaries	Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay Directors of KFB Substantial shareholders of KFB Husband and wife Brother and sister-in-law of Mr. Gan Thiam Hock Brother-in-law and sister-in-law of Mdm. Lam Saw Kuan Parents of Ms. Gan Ka Bien, Ms. Gan Ka Hui and Ms. Gan Ka Ooi Parents-in-law of Mr. Timothy Tan Heng Han Mr. Gan Thiam Hock Director of KFB Substantial shareholder of KFB Brother of Mr. Gan Thiam Chai and brother-in-law of Mdm. Kwan Sok Kay respectively Father of Mr. Gan Meng Hoi Mr. Timothy Tan Heng Han Director and shareholder of KFB Spouse of Ms. Gan Ka Bien Con-in-law of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay Ms. Gan Ka Bien Director and shareholder of Food Valley Shareholder of KFB Daughter of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay Spouse of Mr. Timothy Tan Heng Han Ms. Gan Ka Hui Director and shareholder of Food Valley Daughter of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay Spouse of Mr. Timothy Tan Heng Han Ms. Gan Ka Hui Director and shareholder of Food Valley Daughter of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay Ms. Gan Ka Ooi Shareholder of Food Valley Daughter of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay Ms. Gan Ka Ooi Shareholder of Food Valley Daughter of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay Mr. Gan Meng Hoi Shareholder of Food Valley	9,251,223

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)
Hot & Roll Sdn. Bhd.	Purchase of frozen food products from KFB or its subsidiaries	 Mr. Gan Thiam Chai 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 Brother-in-law of Mdm. Lam Saw Kuan Persons connected to Mr. Gan Thiam Chai:- Mr. Gan Thiam Hock Director of KFB Substantial shareholder of KFB Brother-in-law of Mdm. Kwan Sok Kay Spouse of Mdm. Lam Saw Kuan Mdm. Kwan Sok Kay Spouse of Mf. Gan Thiam Chai Brother-in-law of Mdm. Kwan Sok Kay Spouse of Mr. Gan Thiam Chai Sister-in-law of Mr. Gan Thiam Chai Sister-in-law of Mr. Gan Thiam Hock and Mdm. Lam Saw Kuan Mr. Timothy Tan Heng Han Director and shareholder of KFB Son-in-law of Mr. Gan Thiam Chai and Mdm. Kwan Sok Kay Spouse of Ms. Gan Ka Bien 	1,084,355

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 its risk management and internal controls of the Group during the financial year ended 31 December 2013. 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, at the meeting held on 21 April 2014, the Board has also received assurance from the Chief Executive Officer and Financial Controller 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

The Board has established a structured Risk Management Framework to facilitate the Group's objective to identify, evaluate and manage significant business risk. The framework includes examining of business risks, assessing impact and likelihood of risks and taking management action plans to mitigate and minimize risk exposures. The Risk Management Working Committee ("RMWC") meets at least 2 times a year to carry out its duties in accordance with the Group's Risk Management Policies and Procedures.

The Board acknowledges that maintaining a sound system of risk management is founded on a clear understanding and appreciation of the following key elements of the Group's risk management framework:

- A risk management structure which outlines the lines and responsibilities at different levels, i.e. the Board, Audit Committee and Management;
- Identification of principal risks (present and potential) in the Group and Management's action of plan to mitigate these risks;
- Risk appetite and parameters for the Group have been articulated to RMWC to gauge acceptability of risk exposure; and
- Brainstorming of action plans to address risk and control issues on an on-going basis.

The RMWC monitors and reviews the risk management plans and activities and reports to Audit Committee twice a year.

The Board shall re-evaluate the Group's existing risk management framework to ensure it is appropriate and continues to remain relevant to the Group's requirements.

Statement on Risk Management and Internal Control continued

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 2013, internal audits 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 2013 was RM50,000.

3. INTERNAL CONTROL SYSTEM

- The Board and Audit Committee

The Board and Audit Committee meet at five times during the financial year to ensure that the Directors maintain full and effective control on all significant and operational issues.

- Organisational Structure & Authorisation Procedures

The Group has a formally defined organisation structure that sets out lines of accountability. The delegation of authority is documented and sets out the decisions that need to be taken and the appropriate authority levels of management, including matters that require the Board's approval. Key financial and procurement matters of the Group required the authorisation from the relevant level of management.

- 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 statements are presented to the Board for their review, consideration and approval.

- External Certification

There were two (2) surveillance audits conducted in January and June 2013 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 January 2013 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.

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Statement on Risk Management and Internal Control continued

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 May and December 2013 by the appointed service provider and agendas covered were comprehensive to cover for elements of ISO22000:2005 and BRC.

The Group's system of risk mangement and internal control applies principally to Kawan Food Berhad and its subsidiaries. Jointly controlled company has been excluded because the Group does not exercise full management control in the entity. However, there is Board representation in the jointly controlled company.

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 21 April 2014.

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 2013 set out on pages 45 to 99 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.

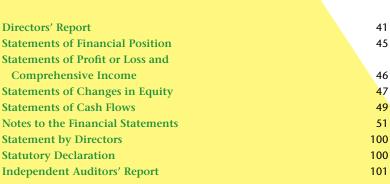
The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 21 April 2014.

Financial Statements















Directors' Report

made pursuant to Section 169 of the Companies Act, 1965

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

RESULTS

Net profit for the financial year attributable to:
Owners of the Company
Non-controlling interests

Group	Company
RM	RM
16,175,642 (14,262)	6,356,529
16,161,380	6,356,529

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid an interim tax exempt dividend of 1.8 sen per ordinary share totaling RM2,160,000 in respect of the financial year ended 31 December 2013 on 12 June 2013.

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

DIRECTORSDirectors 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
Timothy Tan Heng Han (appointed on 25 November 2013)

DIRECTORS' INTERESTS

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 as at 1.1.2013	Bought	Sold	Balance as at 31.12.2013	
Direct interests in the Company					
Chen Seng Chong	225,000	-	-	225,000	
Lim Peng @ Lim Pang Tun	150,000	-	-	150,000	
Gan Thiam Chai	39,959,994	_	-	39,959,994	
Gan Thiam Hock	10,080,000	-	-	10,080,000	
Kwan Sok Kay	10,060,500	-	-	10,060,500	
Deemed interests through					
Goshenite Limited					
Nareshchandra Gordhandas					
Nagrecha	28,800,000	- [-	28,800,000	

	Balance			Balance
	as at			as at
	1.1.2013	Bought	Sold	31.12.2013
Direct interests in the Company				
Chen Seng Chong	112,500	-	-	112,500
Lim Peng @ Lim Pang Tun	75,000	-	-	75,000
Gan Thiam Chai	19,980,001	-	-	19,980,001
Gan Thiam Hock	5,040,000	-	_	5,040,000
Kwan Sok Kay	5,030,250	-	-	5,030,250
Deemed interests through Goshenite Limited				
Nareshchandra Gordhandas Nagrecha	14,400,000	-	-	14,400,000

Number of warrants over ordinary shares

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 2013 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

KAWAN Food Berhad 640445-v • Annual Report 2013

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Directors' Report

made pursuant to Section 169 of the Companies Act, 1965 • 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 fixed salaries of a full time employees of related corporation) 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 Directors has a substantial financial interest, other than certain Directors, and the spouse of a Director and children of certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29 to the financial statements.

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

ISSUE OF SHARES AND DEBENTURES

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

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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 14 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:

- a) action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and
- b) any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount that they might be expected so to realise.

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

- a) which would render it necessary to write off any bad debts or the amount of the provision of doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- d) not otherwise dealt with in its report or the financial statements which would render any amount stated in the financial statements misleading.

Directors' Report

made pursuant to Section 169 of the Companies Act, 1965 • continued

OTHER STATUTORY INFORMATION continued

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

- a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- b) any contingent liability of the Group and of the Company which has arisen since the end of financial year.

In opinion of the Directors:

- a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due.
- b) the result of operation of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unused nature; and
- c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

AUDITORS

The auditors, Messrs Cheng & Co., have expressed their willingness to continue in office.

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

GAN THIAM CHAI

Director

KWAN SOK KAY

Director

Kuala Lumpur, Date: 21 April 2014

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		2013	2012	2013	2012	
	Note	RM	RM	RM	RM	
Assets						
Non-current assets						
Property, plant and equipment	4	78,103,997	76,357,422	-	_	
Investment properties	5	2,675,400	2,678,879	-	-	
Prepaid lease payments	6	2,986,503	2,771,879	-	-	
Investment in subsidiaries	7	-	-	54,957,386	53,641,511	
Investment in a jointly controlled entity	8	-	89,752	-	-	
Deferred tax assets	9	1,598,287	486,346	-		
Total non-current assets		85,364,187	82,384,278	54,957,386	53,641,511	
Current assets						
Other investments, including derivatives	10	5,354,783	1,633,410	-	-	
Inventories	11	8,545,097	5,911,089	-	-	
Current tax assets		-	1,266,128	-	386,016	
Trade and other receivables	12	24,064,095	23,919,260	21,010,063	19,880,690	
Prepayments		170,461	190,980	-	-	
Cash and cash equivalents	13	36,146,284	25,613,812	2,145,426	72,844	
Total current assets		74,280,720	58,534,679	23,155,489	20,339,550	
Total assets		159,644,907	140,918,957	78,112,875	73,981,061	
Equity						
Equity attributable to owners of the Company						
Share capital		60,000,000	60,000,000	60,000,000	60,000,000	
Reserves		75,838,529	58,808,400	17,730,436		
		135,838,529	118,808,400	77,730,436	73,533,907	
Non-controlling interest		(26,200)	(11,938)	-	-	
Total equity	14	135,812,329	118,796,462	77,730,436	73,533,907	
Liabilities						
Non-current liabilities						
Loans and borrowings	15	2,094,041	3,065,773	_	_	
Deferred tax liabilities	9	3,054,466	2,286,806	-	135,295	
Total non-current liabilities		5,148,507	5,352,579	-	135,295	
Current liabilities						
Loans and borrowings	15	971,968	925,133	_	_	
Trade and other payables,		27.1,200	, 20, . 33			
including derivatives	16	16,770,992	15,650,417	354,083	311,859	
Current tax liabilities		941,111	194,366	28,356		
Total current liabilities		18,684,071	16,769,916	382,439	311,859	
Total liabilities		23,832,578	22,122,495	382,439	447,154	
Total equity and liabilities		159,644,907	140,918,957	78,112,875	73,981,061	

Group

Company

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Group	Company
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		2013	2012	2013	2012
	Note	RM	RM	RM	RM
Revenue	17	126,426,372	110 226 594	4,000,001	2,800,001
Cost of sales	17		(64,691,895)	-	-
Gross profit		51,286,982	45,534,699	4,000,001	2,800,001
Other income		3,681,938		2,119,141	-
Selling and distribution expenses			(18,433,724)	-	-
Administrative expenses		(11,361,944)	(11,221,600)	(676,773)	(1,881,034)
Result from operating activities		20,997,313	17,026,639	5,442,369	918,967
Finance income	19	272,415	339,485	1,083,365	1,028,667
Finance costs	20	(437,904)	(474,680)	(63)	(2,120)
Share of loss of equity-accounted					
investee, net of tax		(186,538)	(10,248)	-	-
Profit before tax		20,645,286	16,881,196	6,525,671	1,945,514
Income tax expense	21	(4,483,906)	(3,350,285)	(169,142)	(59,835)
Profit for the year	18	16,161,380	13,530,911	6,356,529	1,885,679
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations	22	3,014,487	(775,870)	-	-
Total comprehensive income for the year		19,175,867	12,755,041	6,356,529	1,885,679
•					1,000,000
Profit for the financial year attributable to:					
Owners of the Company		16,175,642	13,544,509	6,356,529	1,885,679
Non-controlling interest		(14,262)	(13,598)	-	-
Total comprehensive income					
attributable to:					
Owners of the Company		19,190,129	12,768,639	6,356,529	1,885,679
Non-controlling interest		(14,262)	(13,598)	-	-
Earning per ordinary share (sen)					_
- Basic	23	13.48	11.29		
- Diluted	23	N/A	N/A		

Statement of Changes in Equity for the financial year ended 31 December 2013

for the financial year chaca c		At	tributable to owner	rs of the Company				
		Share capital	Translation reserve	Retained	Total	Non- controlling interests	Total	
Group N	Note	RM	RM	RM	RM	RM	RM	
Balance at 1 January 2012 Total other comprehensive income for the year - Foreign currency translation		60,000,000	1,097,766	47,101,995	108,199,761	1,660	108,201,421	
difference for foreign operations Profit for the year		-	(775,870) -	- 13,544,509	(775,870) 13,544,509	- (13,598)	(775,870) 13,530,911	ual Report 2013
Total comprehensive income for the year Dividends to owners of the Company	24	-	(775,870) -	13,544,509		(13,598) -	12,755,041 (2,160,000)	KAWAN Food Berhad 64045-v • Annual Report 2013
Balance at 31 December 2012/ 1 January 2013		60,000,000	321,896	58,486,504	118,808,400	(11,938)	118,796,462	WAN Food Berk
Total other comprehensive income for the year - Foreign currency translation difference for foreign operations			3,014,487		3,014,487		3,014,487	47
Profit for the year		-	-	16,175,642		(14,262)	16,161,380	
Total comprehensive income for the year Dividends to owners of the Company	24	-	3,014,487 -	16,175,642 (2,160,000)	19,190,129 (2,160,000)	(14,262)	19,175,867 (2,160,000)	
Balance at 31 December 2013		60,000,000	3,336,383	72,502,146	135,838,529	(26,200)	135,812,329	

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		Non- distributable Share capital	Distributable Retained earnings	Total
Company	Note	RM	RM	RM
Balance at 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	24		(2,160,000)	(2,160,000)
Balance at 31 December 2012/ 1 January 2013		60,000,000	13,533,907	73,533,907
Total comprehensive income for the year		-	6,356,529	6,356,529
Dividends to owners of the Company	24		(2,160,000)	(2,160,000)
Balance at 31 December 2013		60,000,000	17,730,436	77,730,436

Statements of Cash Flows

for the financial year ended 31 December 2013

			•		,	
		2013	2012	2013	2012	
	Note	RM	RM	RM	RM	
Cash flows from operating activities						
Profit before tax		20,645,286	16,881,196	6,525,671	1,945,514	
Adjustments for:						
Amortisation for prepaid lease payments	6	69,453	62,998	-	-	
Depreciation of investment properties	5	51,585	50,661	-	-	
Depreciation of property, plant						
and equipment	4	6,123,860	6,258,172	-	-	
Dividend income		-	-	(4,000,001)		
Finance income	19	(272,415)		(1,083,365)	(1,028,667)	
Interest expense	20	176,865	220,752	-	-	
Gain on disposal of property,						113
plant and equipment		(110,791)	(15,524)	-	-	rt 20
Share of loss of equity-accounted						ebo
investee, net of tax	8	186,538		-	-	ial R
Unrealised foreign exhange differences		(664,941)	(129,361)	(2,119,141)	1,064,293	Annı
Operating profit/(loss) before						· >
working capital changes		26,205,440	22,999,657	(676,836)	(818,861)	KAWAN Food Berhad 64045× • Annual Report 2013
Change in working capital:						erhac
Change in inventories		(2,634,008)	555,463	-	-	g p
Change in trade and other receivables,						Fос
prepayment and other financial assets		(14,029)	551,270	719,073	478,615	/AN
Change in trade and other payables		1,030,264	1,924,770	42,224	(200,189)	KAW
Cook managed discuss /						
Cash generated from/ (used in) operations		24 597 667	26 021 160	04 461	(540.425)	49
(used in) operations		24,587,667	26,031,160	84,461	(540,435)	49
Dividend received		-	-	4,000,001	2,475,000	
Income tax paid		(4,304,667)	(2,976,629)	(145,563)	-	
Income tax refund		1,738,880	-	255,498	-	
Net cash from operating activities		22,021,880	23,054,531	4,194,397	1,934,565	

Group

Company

		Group		Company		
		2013	2012	2013	2012	
	Note	RM	RM	RM	RM	
Cash flows from investing activities						
Acquisition of property, plant						
and equipment	(i)	(5,284,215)	(15,102,936)	-	-	
Proceeds from disposal of property,						
plant and equipment		207,236	147,000	-	-	
Finance income from deposits		272,415	339,485	38,185	7,113	
Investment in a jointly controlled entity Investment in a subsidiary		-	(100,000)		(299,998)	
Changes in investment in unit trusts		(3,774,173)	3,627,077	-	(299,996)	
Changes in investment in unit trusts		(3,774,173)	3,027,077	_		
Net cash (used in)/generated from						
investing activities		(8,578,737)	(11,089,374)	38,185	(292,885)	
					<u> </u>	
Cash flows from financing activities						
Dividends paid to owner of the Company		(2,160,000)	(2,160,000)	(2,160,000)	(2,160,000)	
Repayment of borrowings		(924,897)		-	-	
Finance costs on term loans		(176,865)	(220,752)	-	-	
Net cash used in financing activities		(3,261,762)	(3,261,762)	(2,160,000)	(2,160,000)	
Net increase/(decrease) in cash						
and cash equivalents		10,181,381	8,703,395	2,072,582	(518,320)	
Effect of exchange rate		251 001	110 201			
fluctuation on cash held		351,091	110,301	-	-	
Cash and cash equivalents at 1 January		25,613,812	16,800,116	72,844	591,164	
at i january		23,013,012	10,000,110	, z,044	371,104	
Cash and cash equivalents						
at 31 December	(ii)	36,146,284	25,613,812	2,145,426	72,844	

Group

Company

(i) Acquisition of property, plant and equipment

Included in acquisition of property, plant and equipment of 2012 are deposits and progress payment of RM2,852,222 incurred 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:

		Gro	Group		pany
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
Deposits placed with licensed banks	13	4,170,892	2,411,562	2,145,426	72,844
Cash and bank balances	13	31,975,392	23,202,250	-	_
		36,146,284	25,613,812	2,145,426	72,844

for the financial year ended 31 December 2013

1. GENERAL INFORMATION

The Company 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 registered office of the Company is located at Unit 07-02, Level 7 Persoft Tower, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan.

The consolidated financial statements of the Company as at and for the year ended 31 December 2013 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 2013 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 April 2014.

2. 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 requirements of the Companies Act, 1965 in Malaysia.

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 Company:

Amendments to MFRS effective 1 January 2014:

MFRS 10, 12 and 127	Consolidated Financial Statements, Disclosure of Interests in Other
	Entities and Separate Financial Statements: Investment Entities
MFRS 132	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for
	Non-Financial Assets
MFRS 139	Financial Instruments: Recognition and Measurements –
	Novation Of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21, Levies

MFRSs, Interpretation and amendments effective for annual periods beginning on or after 1 July 2014

(Annual Improvement 2011 – 2013 Cycle) Amendment to MFRS 2 Amendment to MFRS 3 Business Combinations (Annual Improvement 2010 – 2012 Cycle) Business Combinations (Annual Improvement 2010 – 2012 Cycle) and 2011 – 2013 Cycle) Amendment to MFRS 8 Amendment to MFRS 13 Operating Segments (Annual Improvement 2010 – 2012 Cycle) Fair Value Measurement (Annual Improvement 2010 – 2012 Cycle) and 2011 – 2013 Cycle)
and 2011 – 2013 Cycle) Amendment to MFRS 8 Operating Segments (Annual Improvement 2010 – 2012 Cycle) Amendment to MFRS 13 Fair Value Measurement (Annual Improvement 2010 – 2012 Cycle
Amendment to MFRS 13 Fair Value Measurement (Annual Improvement 2010 – 2012 Cycle
Amendment to MFRS 116 Property, Plant and Equipment (Annual Improvement 2010 – 2012 Cycle)
Amendment to MFRS 119 Employee Benefits – Defined Benefit Plans: Employee Contributions
Amendment to MFRS 124 Related Party Disclosures (Annual Improvement 2010 – 2012 Cycle)
Amendment to MFRS 138 Intangible Assets (Annual Improvement 2010 – 2012 Cycle)
Amendment to MFRS 140 Investment Property (Annual Improvement 2011 – 2013 Cycle)

for the financial year ended 31 December 2013 • continued

2. BASIS OF PREPARATION continued

(a) Statement of compliance continued

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

MFRS 9 Financial Instruments (2009)
MFRS 9 Financial Instruments (2010)

MFRS 9 Financial Instruments – Hedge Accounting and Amendments to

MFRS 9, MFRS 7, and MFRS 139

Amendments to MFRS 7 Financial Instruments: Disclosures – Mandatory Effective of MFRS 9

and Transition Disclosures

MFRSs effective 1 January 2015:

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)

The initial application of the above standards are not expected to have any financial impacts to the current and prior periods financial statements upon the first adoption, except for:

MFRS 9 Financial Instruments

MASB 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The adoption of MFRS 9 will result in a change in accounting policy. The Company is currently examining the financial impact of adopting MFRS 9.

MFRS 132, Financial Instruments, Presentation

The amendments to MFRS 132 clarify the criteria for offsetting financial assets and financial liabilities. The Company is currently examining the financial impact of adopting MFRS 132.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than those disclosed in Note 3.

(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.

for the financial year ended 31 December 2013 • continued

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements.

(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.

(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 Financial Reporting Standards ("FRS") framework as at the date of transition.

for the financial year ended 31 December 2013 • continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

(a) Basis of consolidation continued

(iii) Accounting of non-controlling interest

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 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 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.

(vi) Non-controlling Interest

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 profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in 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.

for the financial year ended 31 December 2013 • continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

(b) Foreign currency

(i) Foreign currency transaction

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. 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.

for the financial year ended 31 December 2013 • continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

(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) Loan 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.

for the financial year ended 31 December 2013 • continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

(c) Financial instruments continued

(ii) Financial instrument categories and subsequent measurement *continued* Financial assets *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 3(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.

for the financial year ended 31 December 2013 • continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

(c) Financial instruments continued

(iv) Regular way purchase or sale of financial assets

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

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

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

(v) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Costs also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

for the financial year ended 31 December 2013 • continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

(d) Property, plant and equipment continued

(i) Recognition and measurement continued

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 cost

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.

(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:

	2013	2012	
Buildings	50 years	50 years	59
Apartments	50 years	50 years	
Motor vehicles	10 years	10 years	
Furniture, fittings and office equipment	5 - 10 years	5 - 10 years	
Plants 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.

for the financial year ended 31 December 2013 • continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

(e) Leased assets continued

(i) Finance lease continued

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.

(f) Goodwill

Goodwill arises on business combinations are 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. Investments 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.

for the financial year ended 31 December 2013 • continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

(g) Investment properties continued

(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.

(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.

for the financial year ended 31 December 2013 • continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

(j) Impairment continued

(i) Financial assets continued

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. 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.

for the financial year ended 31 December 2013 • continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

(j) Impairment continued

(ii) Other assets continued

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.

(I) 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 pretax 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.

(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.

for the financial year ended 31 December 2013 • continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

(n) Revenue and other income continued

(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 straightline 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.

for the financial year ended 31 December 2013 • continued

3. 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.

for the financial year ended 31 December 2013 • continued

4. PROPERTY, PLANT AND EQUIPMENT

Coop RM RM RM RM RM RM RM R							
Cost At 1 January 2012 8,090,593 22,481,634 992,291 2,961,652 134,988 Disposals 14,711,117 -			Land	Buildings	Apartments		
At 1 January 2012		Group	RM	RM	RM	RM	
Additions 14,711,117		Cost					
Disposals			· ·	22,481,634	992,291		
Effect of movements			14,/11,11/	-	-		
in exchange rates Reclassification At 31 December 2012/ I January 2013 At 31 December 2014 At 31 December 2013 At 31 December 2013 At 31 December 2013 At 31 December 2014 At 31 December 2013 At 31 December 2012 At 31 December 2013 At 31 December 2013 At 31 December 2013 At 31 December 2013 At 31 December 2012 At 31 December 2013 At 31 December 2013 At 31 December 2013 At 31 December 2012 At 31 December 2013 At 31 December 2013 At 31 December 2012 At 31 December 2013 At 31 December 2013 At 31 December 2012 At 31 December 2012 At 31 December 2013 At 31 December 2012 At 31 December 2012 At 31 December 2013 At 31 December 2012			_	-	-	(134,767)	
At 31 December 2012/ 1 January 2013 22,801,710 22,096,277 980,367 2,947,670 Additions 1,027,286 Effect of movements in exchange rates 1,538,370 At 31 December 2013 22,801,710 23,634,647 1,027,967 3,204,744 Depreciation At 1 January 2013 22,801,710 23,634,647 1,027,967 3,204,744 Depreciation At 1 January 2012 Perceiation for the year Disposals Effect of movements in exchange rates 1,538,370 47,600 55,814 At 31 December 2013 22,801,710 23,634,647 1,027,967 3,204,744 Depreciation At 1 January 2012 Perceiation for the year Disposals Effect of movements in exchange rates 1,538,370 1,027,967 3,204,744 At 31 December 2012 1 January 2013 Perceiation for the year Disposals			-	(385,357)	(11,924)	(13,981)	
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in exchange rates Reclassification - 1,538,370	2013	At 31 December 2012/					
in exchange rates Reclassification - 1,538,370	oort ,		22,801,710	22,096,277	980,367	2,947,670	
in exchange rates Reclassification - 1,538,370	al Rep	Additions	-	-	-		
in exchange rates Reclassification - 1,538,370	\nnu	•	-	-	-	(826,026)	
Reclassification				1 520 270	47.600	55 O1 A	
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Depreciation for the year Disposals Depreciation for the year Disposals Depreciation for the year Disposals Disposal	AN	Depreciation					
Depreciation for the year Disposals Depreciation for the year Disposals Depreciation for the year Disposals Disposal	KAW						
66 Effect of movements in exchange rates - (19,224) (1,038) (4,768) At 31 December 2012/ 1 January 2013 888,179 2,143,512 153,926 1,504,280 Depreciation for the year 269,714 467,591 19,957 368,425 Disposals (816,171) Effect of movements in exchange rates - 105,590 5,001 28,898 Reclassification - 23,664 (23,664) - At 31 December 2013 1,157,893 2,740,357 155,220 1,085,432 Net carrying amount At 31 December 2012 21,913,531 19,952,765 826,441 1,443,390			168,258	438,745	19,109		
in exchange rates - (19,224) (1,038) (4,768) At 31 December 2012/ 1 January 2013 888,179 2,143,512 153,926 1,504,280 Depreciation for the year 269,714 467,591 19,957 368,425 Disposals (816,171) Effect of movements in exchange rates - 105,590 5,001 28,898 Reclassification - 23,664 (23,664) - At 31 December 2013 1,157,893 2,740,357 155,220 1,085,432 Net carrying amount At 31 December 2012 21,913,531 19,952,765 826,441 1,443,390	36	·	-	-	-	(15,/49)	
At 31 December 2012/ 1 January 2013 888,179 2,143,512 153,926 1,504,280 Depreciation for the year 269,714 467,591 19,957 368,425 Disposals (816,171) Effect of movements in exchange rates - 105,590 5,001 28,898 Reclassification - 23,664 (23,664) - At 31 December 2013 1,157,893 2,740,357 155,220 1,085,432 Net carrying amount At 31 December 2012 21,913,531 19,952,765 826,441 1,443,390	00		_	(19,224)	(1,038)	(4,768)	
1 January 2013 888,179 2,143,512 153,926 1,504,280 Depreciation for the year 269,714 467,591 19,957 368,425 Disposals (816,171) Effect of movements in exchange rates - 105,590 5,001 28,898 Reclassification - 23,664 (23,664) At 31 December 2013 1,157,893 2,740,357 155,220 1,085,432 Net carrying amount At 31 December 2012 21,913,531 19,952,765 826,441 1,443,390		-		· · · · · · · · · · · · · · · · · · ·			
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Disposals - - - (816,171) Effect of movements 105,590 5,001 28,898 Reclassification 23,664 (23,664) - At 31 December 2013 1,157,893 2,740,357 155,220 1,085,432 Net carrying amount At 31 December 2012 21,913,531 19,952,765 826,441 1,443,390							
Effect of movements in exchange rates Reclassification - 105,590 S,001 28,898 Reclassification - 23,664 (23,664) - At 31 December 2013 1,157,893 2,740,357 155,220 1,085,432 Net carrying amount At 31 December 2012 21,913,531 19,952,765 826,441 1,443,390			209,714	407,391			
Reclassification - 23,664 (23,664) - At 31 December 2013 1,157,893 2,740,357 155,220 1,085,432 Net carrying amount At 31 December 2012 21,913,531 19,952,765 826,441 1,443,390		·				(0.10)11.1)	
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Net carrying amount 21,913,531 19,952,765 826,441 1,443,390		Reclassification	-	23,664	(23,664)	-	
At 31 December 2012 21,913,531 19,952,765 826,441 1,443,390		At 31 December 2013	1,157,893	2,740,357	155,220	1,085,432	
		Net carrying amount					
At 31 December 2013 21,643,817 20,894,290 872,747 2,119,312		At 31 December 2012	21,913,531	19,952,765	826,441	1,443,390	
		At 31 December 2013	21,643,817	20,894,290	872,747	2,119,312	

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RM		Total	Capital work-in- progress	Signage	Renovation	Plant and machineries	Furniture, fittings and office equipment
162,420 (17,183) (18,000) 1,963,182 17,955,158 (170,172) (24,801) (18,000) (92,087) (752,161) (752,161) (75,613,633) - (5,613,633) - (5,613,633) - (5,613,633) - (5,613,633) - (5,613,633) - (5,613,633) - (752,161) (77,170,607) (752,161) (77,170,607) (752,161) (75,613,648) (752,161) (75,613,648) (752,161) (75,613,648) (752,161) (75,613,648) (752,161) (75,613,648) (752,161)	l	RM	RM	RM	RM	RM	RM
4,798,200 47,435,699 4,894,973 39,800 1,175,911 107,170,607 133,648 865,231 55,686 - 3,202,364 5,284,215 (1,020,419) 101,145 1,310,722 (1,680,187) - 1,680,187 (1,680,187) - (1,680,187) - (1,680,187) - (1,680,187) - (1,680,187) - (1,680,187) - (1,680,187) - (1,680,187) - (1,680,187) - (1,680,187) - (1,680,187) - (1,680,187) - (1,680,187) - (1,680,187) - (1,680,187) - (3	17,955,158 (170,172)	1,963,182 - (92,087)	39,800 - - -	•	965,901 (18,000) (224,011)	162,420 (17,183)
- 1,680,187 (1,680,187) 94 and 14,974,306 51,179,733 4,927,059 39,800 2,698,088 114,488,054 11	Annual Report 2013	5,284,215	1,175,911	39,800 - -	55,686	47,435,699 865,231	133,648
455,040 3,841,048 487,373 3,980 - 6,258,172 (38,696) 67 (6,150) (57,665) 67 (6,345) (26,290) (57,665) 67 (57,665) 67 (6,345) (26,290) (57,665) 67 (57,665) 67 (6,345) (26,290) (57,665) 67 (57,665) 67 (6,345) (26,290) (57,665) 67 (57,665) 67 (6,345) (26,290) (57,665) 67 (57,665) 67 (6,345) (26,290)	640445-V	3,053,651 -	- (1,680,187)	- -	- -		101,145 -
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463,735 4,040,701 489,757 3,980 - 6,123,860 (45,636) (55,284) (6,883) - - (923,974) 33,833 197,664 - - - - - - - - - - - 3,198,014 25,673,232 2,347,427 26,482 - 36,384,057	67	6,258,172 (38,696)	- - - -			3,841,048 (6,150)	455,040 (16,797)
)	6,123,860 (923,974)	- - - -	3,980	489,757	4,040,701 (55,284)	463,735 (45,636)
2,052,118 25,945,548 3,030,420 17,298 1,175,911 76,357,422	- , -	36,384,057	-	26,482	2,347,427	25,673,232	3,198,014
	<u>!</u>	76,357,422	1,175,911	17,298	3,030,420	25,945,548	2,052,118
1,776,292 25,506,501 2,579,632 13,318 2,698,088 78,103,997		78,103,997	2,698,088	13,318	2,579,632	25,506,501	1,776,292

for the financial year ended 31 December 2013 • continued

4. PROPERTY, PLANT AND EQUIPMENT continued

(a) Security

Building with a carrying amount of RM5,988,344 (2012: RM6,145,626) are assigned to licensed banks for banking facilities granted to a subsidiary (see Note 15).

Leasehold land with carrying amount of RM7,179,092 (2012: RM7,274,881) have been assigned to licensed banks for banking facilities (see Note 15).

(b) Apartments

Apartments with a carrying amount of RM197,473 (2012: RM434,457) have yet to be issued with strata title to a subsidiary.

(c) Land

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

(d) 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:

	2013	2014	2015	2016	2017	Later
	RM	RM	RM	RM	RM	RM
(Decrease)/increase in depreciation expenses	(54,560)	(48,096)	(39,358)	14,566	35,338	(28,408)

for the financial year ended 31 December 2013 • continued

5. INVESTMENT PROPERTIES

At cost: Freehold land

Buildings Apartments

Leasehold land with unexpired lease period of more than 50 years

_			
(.	re	n	ın
•		"	

	Gro	up
	2013	2012
	RM	RM
Cost		
At 1 January	3,229,593	3,242,331
Effect of movement in exchange rates	50,852	(12,738)
At 31 December	3,280,445	3,229,593
Depreciation		
At 1 January	550,714	500,512
Charge for the year	51,585	50,661
Effect of movement in exchange rates	2,746	(459)
At 31 December	605,045	550,714
Net carrying amount		
At 31 December	2,675,400	2,678,879
Fair values		
At 31 December	11,650,830	6,412,000
Included in the above are:		
	Gro	up
	2013	2012
	D14	DM

2013	2012
RM	RM
78,000	78,000
1,206,551 1,448,856 547,038	1,206,551 1,448,856 496,186
3,280,445	3,229,593

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

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5. 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:

2012	2013
RM	RM
357,123	382,358
(40,266)	(40,626)
316,857	341,732

Group

Rental income
Direct operating expenses:
- income generating investment properties

Investment property of the Group amounting to RM1,854,282 (2012: RM1,889,814) has been assigned to a licensed bank for credit facilities granted to a subsidiary (see Note 15).

for the financial year ended 31 December 2013 • continued

6. PREPAID LEASE PAYMENTS

Group

	2013	2012
	RM	RM
Cost		
At 1 January	3,149,862	3,230,726
Effect of movement in exchange rates	322,815	(80,864)
At 31 December	3,472,677	3,149,862
Amortisation		
At 1 January	377,983	323,072
Charge for the year	69,453	62,998
Effect of movement in exchange rates	38,738	(8,087)
At 31 December	486,174	377,983
Net carrying amount		
At 31 December	2,986,503	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.

7. INVESTMENT IN SUBSIDIARIES

Group

2013	2012	KAW?
RM	RM	
		7
35,395,614	35,395,614	
(255,000)	(255,000)	
35,140,614	35,140,614	
19,816,772	18,500,897	
54,957,386	53,641,511	
	RM 35,395,614 (255,000) 35,140,614 19,816,772	RM RM 35,395,614 35,395,614 (255,000) (255,000) 35,140,614 35,140,614 19,816,772 18,500,897

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Notes to the Financial Statements

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7. INVESTMENT IN SUBSIDIARIES continued Details of subsidiaries are as follows:

Subsidiaries of the Company	Gross equit 2013	y interest 2012	Country of incorporation	Principal activities
Kawan Food Manufacturing Sdn. Bhd.	100%	100%	Malaysia	Manufacturing and sales of frozen food products
KG Pastry Marketing Sdn. Bhd.	100%	100%	Malaysia	Trading and distribution of frozen food products
Kawan Food Confectionery Sdn. Bhd.	100%	100%	Malaysia	Trading and distribution of frozen food products
Kayangan Manisan (M) Sdn. Bhd.	51%	51%	Malaysia	Trading and distribution of frozen food products
*Kawan Food (Hong Kong) Limited	100%	100%	Hong Kong	Trading and distribution of frozen food products
Subsidiary of Kawan Food (Hong Kong) Limited				
*Kawan Food (Nantong) Co., Ltd	100%	100%	The People's Republic of China	Manufacturing and sales of frozen food delicacies

^{*}Subsidiaries not audited by Cheng & Co.

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.

8. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

Group

2012	2013
RM	RM
100,000	100,000
(10,248)	(100,000)
89,752	-

Unquoted shares - at cost Share of post-acquisition reserves

Revenue (100%) Loss (100%) Total assets (100%)

Total liabilities (100%)

Details of the jointly controlled entity are as follows:

Jointly controlled entity	Effective ownersh 2013	•		•
Hot & Go Management Sdn. Bhd.	50%	50%	Malaysia	Operation of kiosk for food and beverage

Summary as per management accounts from date of incorporation to 31 December 2013 of the jointly controlled entity, not adjusted for the percentage of ownership by the Group:

Group

2013	2012
RM	RM
223,850	24,801
375,337	18,235
464,498	326,247
658,070	144,480

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for the financial year ended 31 December 2013 • continued

9. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabi	lities	Net		
	2013	2012	2013	2012	2013	2012	
	RM	RM	RM	RM	RM	RM	
Group Property, plant				<i>(</i> 2		(a. a.a. (a.a.)	
and equipment Inventories	- 137,771	- 41,656	(2,811,245) -	(2,893,498) -	(2,811,245) 137,771	(2,893,498) 41,656	
Provisions	1,238,597	1,111,881	-	-	1,238,597	1,111,881	
Tax loss carry forwards	-	62,630	-	-	-	62,630	
Other items	221,919	236,903	(243,221)	(360,032)	(21,302)	(123,129)	
Deferred tax assets/ (liabilities) Set off	1,598,287 -	1,453,070 (966,724)	(3,054,466) -	(3,253,530) 966,724	(1,456,179) -	(1,800,460)	
Net deferred tax assets/(liabiities)	1,598,287	486,346	(3,054,466)	(2,286,806)	(1,456,179)	(1,800,460)	
Company Other items	-	-	-	(135,295)	-	(135,295)	

Unrecognised deferred tax assets

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

	Group
--	-------

	2013	2012
	RM	RM
Plant and equipment	(913)	(86,757)
Tax loss carry forwards Capital allowance carry forwards	171,210 101,536	189,348 138,884
Other deductible temporary differences	13,116	75,744
	284,949	317,219

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for the financial year ended 31 December 2013 • continued

9. DEFERRED TAX ASSETS/(LIABILITIES) continued Movement in temporary differences during the year

		Recognised in profit (Recognised in other comprehensive		Recognised in profit o	Recognised in other comprehensive	
	At 1.1.2012	or loss (Note 21)	income (Note 22)	At 31.12.2012	or loss (Note 21)	income (Note 22)	At 31.12.2013
	RM	RM	RM	RM	RM	RM	RM
Group							• • • •
Property, plant							• • • •
and equipment	(3,074,211)	180,713	-	(2,893,498)	82,277	(25)	(2,811,246)
Inventories	98,124	(56,468)	-	41,656	96,115	-	137,771
Provisions	795,825	316,056	-	1,111,881	122,431	4,286	1,238,598
Tax loss carry forwards	-	62,630	-	62,630	(62,630)	-	-
Other items	(5,119)	(118,376)	366	(123,129)	102,627	(800)	(21,302)
Deferred tax (liabilities)/assets	(2,185,381)	384,555	366	(1,800,460)	340,820	3,461	(1,456,179)
Company Other items	(337,483)	202,188	-	(135,295)	135,295	-	-

10. OTHER INVESTMENTS, INCLUDING DERIVATIVES

KAWA	2012	2013
	RM	RM
75		
	52,800	-
	1,580,610	5,354,783
	1,633,410	5,354,783

Current

Financial asset at fair value through profit or loss

- Held for trading : Derivatives

- Held for trading: Unit trusts (Quoted)

11. INVENTORIES

Group

	2013	2012
	RM	RM
At cost		
Raw materials	977,490	954,307
Packaging materials	2,187,150	1,778,747
Finished goods	5,380,457	3,178,035
	8,545,097	5,911,089
Recognised in profit or loss:		
Inventories recognised as cost of sales	75,139,390	64,691,895

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12. TRADE AND OTHER RECEIVABLES

		Group		Com	pany
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
Current					
Trade					
Trade Receivables	12(a)	22,965,263	23,714,412	-	-
Non-trade					
Advances to subsidiaries	12(b)	-	-	21,007,863	19,879,690
Other receivables	-	1,098,832	204,848	2,200	1,000
	_	24,064,095	23,919,260	21,010,063	19,880,690

(a) Trade receivables

Included in trade receivables of the Group is an amount of RM1,688,685 (2012: RM1,383,577) due from companies in which certain Directors have interests.

(b) Advances to subsidiaries

Advances to subsidiaries of RM8,641,395 (2012: RM8,740,881) are unsecured, subject to interest at BLR of 6.6% (2012: BLR 6.6%) and repayable on demand. The remaining advances to subsidiaries bear interest at 5% per annum (2012: 5%) are repayable as follow:

	Year of maturity	Total	Less than 1 year	1 - 2 years	2 - 5 years
Agreement date		RM	RM	RM	RM
2013					
22 October 2013 (renewal)	2014	3,920,618	3,920,618	-	-
22 October 2013 (renewal)	2018	1,882,443	408,468	-	1,473,975
5 December 2013 (renewal)	2018	2,467,634	338,559	-	2,129,075
22 December 2013 (renewal)	2014	4,095,773	4,095,773	-	-
		12,366,468	8,763,418	-	3,603,050
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	-	-

for the financial year ended 31 December 2013 • continued

13. CASH AND CASH EQUIVALENTS

Group		Comp	any
2013	2012	2013	2012
RM	RM	RM	RM
4,170,892 31,975,392		2,145,426 -	72,844 -
36,146,284	25,613,812	2,145,426	72,844

2013

Deposits placed with licensed banks of the Group and of the Company comprise placements in fixed income trusts of which RM2,440,968 (2012: RM2,411,562) and RM415,501 (2012: RM72,844) respectively are redeemable at call whereas RM1,729,924 (2012: RM NIL) and RM1,729,924 (2012: RM NIL) respectively are redeemable upon 7 days notice.

14. CAPITAL AND RESERVES

	Number of shares	Nominal value	Number of shares	Nominal value
and Company	RM	RM	RM	RM
ised: ry shares of RM0.50 each nuary/31 December	200,000,000	100,000,000	200,000,000	100,000,000
d: M0.50 each ember	120,000,000	60,000,000	120,000,000	60,000,000

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

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.

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.

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2012

for the financial year ended 31 December 2013 • continued

14. CAPITAL AND RESERVES continued

Warrants continued

The terms of the warrants are as follows:

- (a) Exercise rights each warrant carries the entitlement, at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price, subject to the adjustments in accordance with the provisions of the Deed Poll.
- (b) Exercise period the exercise price of the warrants has been fixed at RM1.40 per warrant, subject to such adjustment as may be allowed under the Deed Poll.
- (c) Exercise period the period commencing on and including the day of issuance of the warrants and expiring on the fifth anniversary of the issue date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
- (d) Transferability the warrants will be transferable at board lot of 100 warrants as determined by Bursa Malaysia Securities Berhad.
- (e) Ranking the 60,000,000 new ordinary shares to be issued pursuant to the exercise of the warrants will, upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares 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 shares, and will be subject to all the provisions of the Articles of Association of the Company.

15.LOANS AND BORROWINGS

	•		
	2013	2012	
	RM	RM	
Term loan Classified as:			
- current liabilities	971,968	925,133	
- non-current liabilities	2,094,041	3,065,773	
	3,066,009	3,990,906	
Present value of term loan			
Analysed as follow:			
- Not later than 1 year	971,968	925,133	
- Later than 1 year but not later than 5 years	2,094,041	3,065,773	
	3,066,009	3,990,906	

Group

Security

The Group's term loans are secured over leasehold land and buildings of a subsidiary (see Note 4 and 5).

16.TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Gro	up	Company	
		2013	2012	2013	2012
	Note _	RM	RM	RM	RM
Trade					
Trade payables	16(a)	7,068,649	6,509,250	-	-
Non-trade					
Other payables		1,194,917	965,062	-	159
Accruals		8,200,926	7,861,652	47,583	47,601
Amount due to a subsidiary	16(b)	_	_	_	99
Amount due to Directors	16(c)	306,500	314,453	306,500	264,000
		16,770,992	15,650,417	354,083	311,859

(a) Trade payables

- (i) Credit terms of trade payables range from 30 60 days.
- (ii) Included in trade payables of the Group is an amount of RM1,705,449 (2012: RM1,261,902) due to companies in which certain Directors have interests.

(b) 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.

(c) Amount due to Directors

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

17.REVENUE

Revenue - Sales of goods - Dividends

dic	Jup	Com	party
2013	2012	2013	2012
RM	RM	RM	RM
126,426,372	110,226,594 -	- 4 ,000,001	- 2,800,001
126,426,372	110,226,594	4,000,001	2,800,001

Croun

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Company

Group Company 2013 2012 2013 2012 RM RM RM RM Note This is stated after charging: Auditors' remuneration - Statutory audit 155,297 199,575 28,000 26,000 10,000 23,000 10,000 - Other services 23,000 Amortisation of prepaid lease payments 69,453 62,998 6 Depreciation of investment properties 5 51,585 50,661 Depreciation of property, plant and equipment 6,123,860 6,258,172 Impairment loss on - Trade receivables 85,019 - Other receivables 5,512 Inventories written off 438,812 460,838 Personnel expenses (including key managament personnel): 1,440,717 - Contributions to state plans 1,113,930 - Wages, salaries and others 15,699,949 12,012,097 Net unrealised foreign exchange loss 1,064,293 Realised foreign exchange loss 77,559 Rental expenses in respect of: - Coldroom 508,772 582,958 - Equipment 62,554 61,940 - Hostel 22,850 26,650 - Premises 14,800 32,280 and after crediting: Gain on disposal of property, plant and equipment 110,791 15,524 Net unrealised foreign exchange gain 664,941 129,361 2,119,141 Realised foreign exchange gain 454,914 Rental income from investment properties 382,358 357,123 Rental income from hostel 37,650 Reversal of impairment loss: 3,700 69,718 - Trade receivables

19.FINANCE INCOME

	2013	2012	2013	2012
	RM	RM	RM	RM
Interest income of financial assets that are				
not at fair value through profit or loss	272,415	339,485	1,083,365	1,028,667

Group

Company

for the financial year ended 31 December 2013 • continued **20.FINANCE COSTS**

	2013	2012	2013	2012
	RM	RM	RM	RM
terest expense of financial liabilities that are not at fair value through profit or loss				
Term loans, secured	176,865	220,752	-	-
bank charges	261,039	253,928	63	2,120
	437,904	474,680	63	2,120

Group

Company

21.INCOME TAX EXPENSE

	Group		Company		Repo
	2013	2012	2013	2012	Annual Repo
	RM	RM	RM	RM	640445-V • /
Major components of income tax expense include:					
Current tax expense			•		Food Berhad
Malaysian - current year	3,833,670	3,132,864	125,409	242,151	Foo
- prior years	150,196	(21,735)	179,028	19,872	AN
Overseas - current year	846,999	628,724	-	-	KAWAN
- prior years	(6,139)	(5,013)	-	_	×
Total current tax recognised in profit or loss	4,824,726	3,734,840	304,437	262,023	81
Deferred tax expense					
Origination and reversal of temporary differences	(8,718)	(68,731)	-	135,295	
Overprovision in prior years	(332,102)	(315,824)	(135,295)	(337,483)	
Total deferred tax recognised in profit or loss	(340,820)	(384,555)	(135,295)	(202,188)	
Total income tax expense	4,483,906	3,350,285	169,142	59,835	

21. INCOME TAX EXPENSE continued

Group Company

2013 2012 2013

	2013	2012	2013	2012
	RM	RM	RM	RM
Reconciliation of effective tax expense				
Profit for the year	16,161,380	13,530,911	6,356,529	1,885,679
Total income tax expense	4,483,906	3,350,285	169,142	59,835
Profit before tax	20,645,286	16,881,196	6,525,671	1,945,514
Income tax calculated using				
Malaysian tax rate of 25%	5,161,321	4,220,299	1,631,418	486,379
Effect of tax rate in foreign jurisdiction	(413,912)	(268,839)	-	-
Non-deductible expenses	403,761	662,537	(371,891)	387,939
Tax exempt income	(173,797)	(569,497)	(1,135,547)	(496,872)
Tax incentives	(328,011)	(335,337)	-	-
Double deduction on qualifying expenditure	(7,169)	(233,818)	-	-
Change in unrecognised temporary differences	(123,472)	(16,403)	-	-
Other items	153,230	233,915	1,429	
	4,671,951	3,692,857	125,409	377,446
Under/(over) provision in prior years				
- current tax expense	144,057	(26,748)	179,028	19,872
- deferred tax expense	(332,102)	(315,824)	(135,295)	(337,483)
	4,483,906	3,350,285	169,142	59,835

82 22.OTHER COMPREHENSIVE INCOME

	2013		2012			
	Before tax	Tax benefit	Net of tax		Tax benefit	
	RM	RM	RM	RM	RM	RM
Group Foreign currency translation differences for foreign operations - (Loss)/gain arising						
during the year	3,011,026	3,461	3,014,487	(776,236)	366	(775,870)

for the financial year ended 31 December 2013 • continued

23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 31 December 2013 was based on the profit attributable to ordinary shareholders of RM16,175,642 (2012: RM13,544,509) and a weighted average number of ordinary shares outstanding of 120,000,000 (2012: 120,000,000).

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares, which comprise warrants over ordinary shares granted to entitled shareholders.

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

24. DIVIDENDS

	Sen per share (net of tax)	Total amount RM	Date of payment
2013 Interim 2013 ordinary - tax exempt	1.8	2,160,000	12 Jun 2013
2012 Interim 2012 ordinary	1.8	2,160,000	31 May 2012

25. OPERATING SEGMENTS

The accounting policies of the reportable segments are as described in Note 3(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 7 to the financial statements.

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

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 provide 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.

for the financial year ended 31 December 2013 • continued 25.OPERATING SEGMENTS continued

	Kawan Food Berhad	Kawan Food Manufacturing Sdn. Bhd.	KG Pastry Marketing Sdn. Bhd.	
_	RM	RM	RM	
Group				
2013 Segment profit/(loss)	5,442,369	13,368,073	6,150,653	
Included in the measure of segment profit/(loss) are: - Revenue from external customers - Inter-company revenue	- 4,000,001	4,703,025 92,123,460	54,479,066 848,548	
Not included in the measure of segment profit but provided to Chief Executive Officer: - Depreciation and amortisation - Finance costs - Finance income - Income tax expense	- (63) 1,083,365 (169,142)	(3,988,405) (949,919) 167,248 (1,859,988)	(365,546) (2,126) 262,258 (1,538,135)	
Segment assets Included in the measure of segment assets are: - Additions to non-current assets other than financial instruments and deferred tax assets	-	4,689,421	264,190	
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 - Inter-company revenue	- 2,800,001	4,244,049 79,408,615	49,069,933 780,686	
Not included in the measure of segment profit but provided to Chief Executive Officer: - Depreciation and amortisation - Finance costs - Finance income - Income tax expense	- (2,120) 1,028,667 (59,835)	\ / - / - / :	(883,905) (2,736) 173,644 (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	

Kayangan Manisan (M) Sdn. Bhd.	Kawan Food Confectionery Sdn. Bhd.	Kawan Food (Hong Kong) Limited	Kawan Food (Nantong) Co., Ltd	Total
RM	RM	RM	RM	RM
(19,298)	528,737	5,096,074	2,468,235	33,034,843
489,447 -	2,304,826 131,377	60,238,271 -	4,211,737 14,048,041	126,426,372 111,151,427
(9,712) (97) - -	(596) (60) 2,724 (129,925)	(3,908) (222,615) - (808,028)	(1,876,731) (497,545) - -	(6,244,898) (1,672,425) 1,515,595 (4,505,218)
-	2,980	-	464,586	5,421,177
(1,994)	(21,860)	4,017,677	1,499,168	25,223,423
960,559 328,743	10,154 -	53,708,751 -	2,233,148 10,564,908	110,226,594 93,882,953
(25,705) (52) - -	- (19) 4,177 (1,044)	(3,648) (213,943) - (623,711)	(1,446,342) (486,168) - 223,714	(6,371,831) (1,642,617) 1,503,489 (3,286,453)
-	-	-	551,095	17,955,158

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25. OPERATING SEGMENTS continued

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

Group

	2013	2012
	RM	RM
Profit or loss		
Total profit or loss for reportable segments	33,034,843	25,223,423
Elimination of inter-segment profits	(5,979,170)	(1,835,201)
Depreciation and amortisation	(6,244,898)	(6,371,831)
Finance income	272,415	339,485
Finance costs	(437,904)	(474,680)
Consolidated profit before tax	20,645,286	16,881,196

	External revenue	Depreciation and amortisation	Finance costs	Finance income	Segment assets
	RM	RM	RM	RM	RM
2013 Total reportable segments Elimination of inter-segment	237,577,799	(6,244,898)	(1,672,425)	1,515,595	272,644,698
transaction or balances	(111,151,427)	-	1,234,521	(1,243,180)	(112,999,791)
Consolidated total	126,426,372	(6,244,898)	(437,904)	272,415	159,644,907
2012 Total reportable segments Elimination of inter-segment	204,109,547	(6,371,831)	(1,642,617)	1,503,489	245,348,178
transaction 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

for the financial year ended 31 December 2013 • continued

25. OPERATING SEGMENTS continued

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

Non-current Non-current Revenue assets Revenue assets RM RM RM RM 52,778,006 49,946,205 52,637,466 Malaysia 57,273,339 Rest of Asia 18.803.623 30,987,894 14,945,704 29,170,714 10,369,515 Europe 9,745,679 North America 32,784,558 29,868,857 Oceania 6,867,909 5,720,149 Africa 327,428 **Consolidated total** 126,426,372 **83,765,900** 110,226,594 81,808,180

2013

Major customers

The Group has one (2012: one) major customer contributing revenue greater than 10% of the Group's total revenue.

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

- (i) Loans and receivables (L&R);
- (ii) Fair value through profit or loss (FVTPL):
 - Held for trading (HFT);

(iii)Financial liabilities measured at amortised cost (FL).

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for the financial year ended 31 December 2013 \bullet continued

26. FINANCIAL INSTRUMENTS continued

(a) Categories of financial instruments continued

	Carrying amount	Loan and receivables / (FL)	FVTPL -HFT
	RM	RM	RM
2013			
Financial assets Group			
Other investments, including derivatives	5,354,783	-	5,354,783
Trade and other receivables	24,064,095	: :	-
Cash and cash equivalents	36,146,284	36,146,284	-
	65,565,162	60,210,379	5,354,783
Company			
Trade and other receivables	21,010,063	21,010,063	-
Cash and cash equivalents	2,145,426	2,145,426	
	23,155,489	23,155,489	-
Financial liabilities			
Group Loans and borrowings	3,066,009	3,066,009	
Trade and other payables, including derivatives	16,770,992	16,770,992	_
	19,837,001	19,837,001	-
Company Trade and other payables, including derivatives	354,083	354,083	_
2012 Financial assets Group			
Other investments, including derivatives	1,633,410	-	1,633,410
Trade and other receivables	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	: :	-
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	-

for the financial year ended 31 December 2013 • continued

26. FINANCIAL INSTRUMENTS continued

(b) Net gains and losses arising from financial instruments

	Стоир		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Net gains arising on:				
Fair value through profit or loss:				
- Held for trading	(52,800)	408,003	-	-
Loans and receivables	2,449,294	(61,776)	1,886,631	632,899
Financial liabilities measured at amortised cost	(496,819)	(189,656)	-	-
	1,899,675	156,571	1,886,631	632,899

Group

Company

(c) Financial risk management

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

- · Credit risk
- · Liquidity risk
- · Market risk

(d) 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.

for the financial year ended 31 December 2013 • continued

26. FINANCIAL INSTRUMENTS continued

(d) Credit risk continued

Receivables continued

Exposure to credit risk, credit quality and collateral continued

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

Group

	2013	2012
	RM	RM
Domestic	11,755,832	10,998,694
North America	3,591,949	6,236,399
urope	2,216,150	1,269,171
lest of Asia	4,463,807	3,371,722
Dceania	937,525	1,838,426
	22,965,263	23,714,412

Impairment losses

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

	Gross	Individual Impairment	Net
	RM	RM	RM
Group			
2013			
No past due	19,537,593	-	19,537,593
1 - 30 days past due	1,453,862	-	1,453,862
31 - 90 days past due	1,039,053	-	1,039,053
More than 90 days past due	1,027,727	(92,972)	934,755
	23,058,235	(92,972)	22,965,263
2012			
No 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

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

Group

	2013	2012
	RM	RM
1 January	91,160	75,859
airment loss recognised	5,512	85,019
ment loss reversed	(3,700)	(69,718)
mber	92,972	91,160

for the financial year ended 31 December 2013 • continued

26. FINANCIAL INSTRUMENTS continued

(d) Credit risk continued

Receivables continued

Impairment losses continued

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

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM3,066,009 (2012: RM3,990,906) 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.

(e) 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.

for the financial year ended 31 December 2013 • continued

26. FINANCIAL INSTRUMENTS continued

(e) 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	Contractual interest	Contractual cash	Less than	1 - 2	2 - 5
	amount	rate	flows	1 year	years	years
		RM	RM	RM	RM	RM
2013 Group Non-derivatives financial liabilities						
Secured term loans Trade and	3,066,009	4.95%	3,305,380	1,101,762	1,101,762	1,101,856
other payables **	16,770,992		16,770,992	16,770,992	-	
	19,837,001		20,076,372	17,872,754	1,101,762	1,101,856
Company Non-derivatives financial liabilities Trade and other payables	354,083		354,083	354,083	-	-
2012 Group Non-derivatives financial liabilities Secured term loans Trade and	3 ,990,906	4.95%	4,406,870	1,101,762	1,101,762	2,203,346
other payables **	15,650,417		15,650,417	15,650,417	-	
	19,641,323		20,057,287	16,752,179	1,101,762	2,203,346
Company Non-derivatives financial liabilities Trade and other payables	311,859		311,859	311,859	_	_

^{**}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.

(f) 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.

(i) Currency risk

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

Risk management objectives, policies and processes for managing the risk

The Group manages its foreign currency exposure by a policy of matching as far as possible receipts and payments in each individual currency. The Group's exposure to foreign currency risk is monitored on an ongoing basis. The Group enters into forward exchange contracts in the normal course of business, where appropriate, to manage its exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies.

Exposure to foreign currency risk

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

Group

Denominated in	USD	SGD	EURO
	RM	RM	RM
2013			
Trade receivables	163,685	1,430,045	-
Cash and bank balances	12,255,936	715,200	20,537
Trade payables	(564,651)	-	
	11,854,970	2,145,245	20,537
2012			
Trade receivables	28,104	1,492,702	-
Cash and bank balances	10,946,039	705,692	19,294

(356,655)

10,617,488

Company

Trade payables

Denominated in USD

Investment in a subsidiary Advances to a subsidiary

2013	2012
RM	RM
19,816,772 12,366,468	18,500,897 11,138,809
32,183,240	29,639,706

2,198,394

19,294

for the financial year ended 31 December 2013 • continued

26. FINANCIAL INSTRUMENTS continued

(f) Market risk continued

(i) Currency risk continued

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.

	Gro	Group Comp		
	Equity	Profit or loss	Equity	Profit or loss
	RM	RM	RM	RM
2013 USD SGD EURO	(2,375,381) (160,893) (1,540)	(160,893)	(2,413,743) - -	(2,413,743)
	(2,537,814)	(1,051,556)	(2,413,743)	(2,413,743)
2012 USD SGD EURO	(2,183,879) (164,880) (1,447) (2,350,206)	(164,880) (1,447)	(2,222,978) - - (2,222,978)	-

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.

(ii) 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.

for the financial year ended 31 December 2013 • continued

26. FINANCIAL INSTRUMENTS continued

(f) Market risk continued

(i) Interest rate risk continued

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 were:

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Fixed rates instruments Financial assets	4,170,892	2,411,562	14,511,894	11,211,653
Floating rates instruments Financial assets Financial liabilities	- (3,066,009)	- (3,990,906)	8,641,395 -	8,740,881

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.

(g) 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:

2013 2012

	Carrying amount	Fair value	Carrying amount	Fair value
	RM	RM	RM	RM
Group Unit trusts (Quoted) Forward exchange contracts: Assets Gecured term loans	5,354,783 - (3,066,009)	-	52,800	1,580,610 52,800 (3,990,906)
i ompany dvances to subsidiaries (interest bearing)	21,007,863	21,007,863	19,879,600	19,879,600

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

for the financial year ended 31 December 2013 • continued

26. FINANCIAL INSTRUMENTS continued

(f) Market risk continued

(g) Fair values of financial instruments continued

Investment in unit trusts (Quoted)

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

Derivatives

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

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:

2012	2013
RM	RM
4.95%	4.95%

Secured term loans

(i) Fair values hierarchy

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).
- \cdot Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	RM	RM	RM
2013			
Financial assets			
Unit trust (Quoted)	5,354,783	-	-
2012 Financial assets			
Unit trust (Quoted)	1,580,610	-	-
Forward exchange contracts	-	52,800	-

345,393

Notes to the Financial Statements

for the financial year ended 31 December 2013 • continued

27. CAPITAL MANAGEMENT

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

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

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

28. CAPITAL AND OTHER COMMITMENTS

2012	2013
RM	RM
345,393	11,341,932

11,341,932

Group

Capital expenditure commitments

Property, plant and equipment

Contracted but not provide for and payable:

Within one year

29. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control 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 include 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 12 and 16.

for the financial year ended 31 December 2013 • continued

29. RELATED PARTIES continued

Significant related party transactions continued

g	Group Com		npany	
	2013	2012	2013	2012
	RM	RM	RM	RM
Subsidiaries			1 0 45 100	1 021 554
Interest income on loans	-	-	1,045,180	1,021,554
Jointly controlled entity				
Sales of goods	22,932	10,154	-	-
Other related party transaction				
A company in which a Director				
of the Company has interest: Sales of goods	10,713,697	10,714,321	_	
Purchase of goods	-	856,551	-	-
A company in which a person related to a Director of the				
Company has interest Sales of goods	910,758			
Purchase of goods	10,502,423	7,927,869	-	<u> </u>
Key management personnel Directors:				
Fees	306,500	264,000	306,500	264,000
Remuneration	1,763,115	1,642,083	-	-
Other short term employee benefit	49,400	49,400	-	-
Total short term employee benefit	2,119,015	1,955,483	306,500	264,000
Other key management personnel				
Short term employee benefit	3,789,679	2,939,295	-	-
Other short term employee benefit	27,400	24,500	-	
Total short term employee benefit	3,817,079	2,963,795	-	-

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 (2012: RM49,400).

30. SIGNIFICANT EVENT SUBSEQUENT TO THE REPORTING PERIOD

On 28 February 2014, the Company declared an interim single tier dividend of 1.8 sen per ordinary share of RM0.50 each and a special single tier dividend of 3.6 sen per ordinary share of RM0.50 each respectively, in respect of the financial year ending 31 December 2014.

for the financial year ended 31 December 2013 • continued

31. 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 2013, 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	
	2013	2012	2013	2012
	RM	RM	RM	RM
The retained earning of the Company and its subsidiaries				
- Realised	98,163,844	88,713,513	15,611,295	17,344,088
- Unrealised	(2,345,407)	(8,639,267)	2,119,141	(3,810,181)
	95,818,437	80,074,246	17,730,436	13,533,907
Total share of post-acquisition reserve of jointly controlled entity				
- Realised	(186,538)	(10,248)	-	-
	95,631,899	80,063,998	17,730,436	13,533,907
Less: Consolidation adjustment	(23,129,753)	(21,577,494)	-	-
Total group retained earnings as per consolidated accounts	72,502,146	58,486,504	17,730,436	13,533,907

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.

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Statements by Directors

In the opinion of the Directors, the financial statements set out on pages 45 to 98 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2013 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 31 on page 99 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 Board of Directors:

GAN THIAM CHAI
Director

Kuala Lumpur
Date: 21 April 2014

Statutory Declaration

I, Teoh Soon Tek, being the officer primarily responsible for the financial management of Kawan Food Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements of the Company and accompanying notes set out on pages 45 to 99 are correct and I made 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 at Kuala Lumpur
in the state of Federal Territory
on this 21 April 2014

Be

Before me,

TEOH SOON TEK Officer

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 statements of financial positions as at 31 December 2013 of the Group and of the Company and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 45 to 98.

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 requirement 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 risk 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 gives a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of Companies Act, 1965 in Malaysia.

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 subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

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Independent Auditors' Report

to the Members of Kawan Food Berhad • continued

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 31 on page 99 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 compiles, 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.

CHENG & CO.

Firm No. : AF – 0886

Chartered Accountants (Malaysia) 8-2 & 10-2, Jalan 2/114,

Kuchai Business Centre, Off Jalan Klang Lama,

58200 Kuala Lumpur.

Kuala Lumpur,

Date: 21 April 2014

YAP PENG BOON

Partner

No. Kelulusan 2118/12/14 (J)

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Held under H.S. (D) * No. 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	14,464,724
Held under H.S. (D) * No. 98527, Bandar Shah Alam, Daerah Petaling, Negeri Selangor, with address at Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan	A double storey factory for manufacturing activities with cold storage facilities, and a double storey office attached	Leasehold interest for a term of 99 years expiring on 6 August 2074	34 years	28 May 2004	7,337.24 sq. metres/ 6,417.91 sq. metres	23 May 2007	5,875,467
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, Johor Darul Takzim	A one and a half storey terrace factory with cold storage facilities, and an office annexed	Freehold	15 years	31 May 2005	289.86 sq. metres/ 254 sq. metres	2 November 1998	313,459
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	24 years	28 June 1999	4,484 sq. metres/ 3,149.43 sq. metres	24 September 1990	1,854,281

	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
	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	24 years	25 May 2005	21,796 sq. metres/ 3,584.91 sq. metres	7 May 1990	7,291,968
KAWAN Food Berhad 640445-v • Annual Report 2013	Parcel No. 2F-41C * with address at 41C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56067 PT 59174 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	14 years	16 May 2003	67.85 sq. metres	27 March 2003	51,150
104	Parcel No. 2B-41D * with address at 41D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56067 PT 59174 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	14 years	29 July 2003	67.85 sq. metres	27 March 2003	47,587

KAWAN Food Berhad 640445-v • Annual Report 2013

continued Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Parcel No. 2F-31C * with address at 31C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56062	Shop apartment occupied as staff hostel	Freehold	14 years	16 May 2003	67.85 sq. metres	27 March 2003	51,150
PT 59169 in Mukim, Klang, District of Klang, Selangor Darul Ehsan							
Parcel No. 2B-21D * with address at 21D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56057 PT 59164 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	14 years	29 July 2003	67.85 sq. metres	27 March 2003	47,586
Shop Apartment Parcel * No. B3/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67208 Lot No. P.T. No. 65663 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	13 years	21 February 2001	69.52 sq. metres	26 October 2004	45,249

	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
Annual Report 2013	Shop Apartment Parcel * No. B4/3F with address at 55-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67207 Lot No.P.T. No. 65652 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	13 years	21 February 2001	69.52 sq. metres	26 October 2004	45,249
D Fawan Food Berhad 640445-V • Annual Report 2013	Shop Apartment Parcel * No. D4/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67208 Lot No.P.T. No. 65663 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	13 years	21 February 2001	69.52 sq. metres	26 October 2004	45,249
	Shop Apartment Parcel * No. D3/3F with address at 55-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67207 Lot No. P.T. No. 65652 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	13 years	21 February 2001	69.52 sq. metres	26 October 2004	45,249

continued Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Shop Apartment Parcel * No. D2/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67208 Lot No.P.T. No. 65663 in Mukim, Klang, District of Klang, Selangor Darul Ehsann	Shop apartment occupied as staff hostel	Freehold	13 years	21 February 2001	69.52 sq. metres	26 October 2004	45,249
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	18,089,262
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	449,037
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	507,660

^{*} Held under Kawan Food Manufacturing Sdn Bhd

^{**} Held under KG Pastry Marketing Sdn Bhd

^{***} Held under Kawan Food (Nantong) Co., Ltd.

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as per record of depositors as at 3 April 2014

ORDINARY SHARES

: RM100,000,000.00 (200,000,000 Ordinary Shares of RM0.50 each) **Authorised Share Capital** Issued and Fully Paid Share Capital : RM60,147,195.00 (120,294,390 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	57	5.03	1,496	0.00
100 to 1,000	656	57.85	122,950	0.10
1,001 to 10,000	257	22.66	1,157,650	0.96
10,001 to 100,000	116	10.23	4,138,000	3.44
100,001 to less than 5% of issued shares	44	3.88	27,754,300	23.08
5% and above of issued shares	4	0.35	87,119,994	72.42
Total	1,134	100.00	120,294,390	100. 00

SUBSTANTIAL SHAREHOLDERS

As per Register of Substantial Shareholders as at 3 April 2014

	Direc	Indirect		
Name of Substantial Shareholders	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	39,959,994	33.22	-	_
2. Goshenite Limited	28,800,000	23.94	-	_
3. Gan Thiam Hock	10,080,000	8.38	-	-
4. Kwan Sok Kay	10,060,500	8.36	-	-
5. Nareshchandra Gordhandas Nagrecha	-	-	28,800,000*	23.94

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 3 April 2014

	Dir	rect	Indirect	
Name of Directors	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	39,959,994	33.22	-	-
2. Gan Thiam Hock	10,080,000	8.38	-	-
3. Kwan Sok Kay	10,060,500	8.36	-	-
4. Chen Seng Chong	225,000	0.19	-	-
5. Lim Peng @ Lim Pang Tun	150,000	0.12	-	-
6. Soo Yoke Mun	-	-	-	-
7. Jayendra Janardan Ved	-	-	-	-
8. Nareshchandra Gordhandas Nagrecha	-	-	28,800,000*	23.94
9. Timothy Tan Heng Han	45,000	0.04	-	-

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

Analysis on Shareholdings

as per record of depositors as at 3 April 2014 • continued

LIST OF THIRTY (30) LARGEST SHAREHOLDERS as at 3 April 2014

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

No.	Name of Shareholders	No. of Shares	%	
1.	Gan Thiam Chai	39,959,994	33.22	
2.	Maybank Securities Nominees (Asing) Sdn Bhd	37,737,774	33.22	
۷.	Pledged Securities Account for Goshenite Limited	28,800,000	23.94	
3.	Gan Thiam Hock	10,080,000	8.38	
4.	Kwan Sok Kay	8,280,000	6.88	
5.	Niels John Madsen	4,009,500	3.33	
5.	HLIB Nominees (Asing) Sdn Bhd	2,000,000	1.66	
	Hong Leong Bank Bhd for Wu Chung Chen	2,000,000	1.00	
7.	Kong Poh Yin	1,993,500	1.66	
3.	HSBC Nominees (Tempatan) Sdn Bhd	1,788,500	1.49	
٠.	HSBC (M) Trustee Bhd for Maakl Progress Fund (4082)	1,7 00,500	1.12	
9.	Kwan Sok Kay	1,780,500	1.48	~
	HSBC Nominees (Asing) Sdn Bhd	1,459,400	1.21	2013
	Exempt An for Credit Suisse (SG BR-TST-ASING)	1,132,100		ort
11.	HLIB Nominee (Asing) Sdn Bhd	1,157,050	0.96	Rep
	Hong Leong Bank Bhd for Chen Tsai Tien	1,137,636	0.70	ınal
12.	Yap Sook Chen	1,075,200	0.89	Anr
	Choy Wee Chiap	945,000	0.79	• >
	HLIB Nominees (Asing) Sdn Bhd	868,000	0.72	KAWAN Food Berhad 640445-v • Annual Report 2013
	Hong Leong Bank Bhd for Chiang Peter	330,333	0., _	d 64
15.	HLIB Nominees (Asing) Sdn Bhd	805,050	0.67	rha
	Hong Leong Bank Bhd for Wu Chia Lung	333,333	0.07	ı Be
16.	Lai Yew Chung	793,000	0.66	F006
	Maybank Securities Nominees (Asing) Sdn Bhd	772,350	0.64	Z
	Pledged Securities Account for Shah Kamal Kant Zaverchand	-,		4W/
18.	Kong Poh Kheng	739,050	0.61	X
	Loh Ah Heng	645,500	0.54	
	Lai Yew Weng	603,200	0.50	109
21.	Lydia Claire Lim Lih Yueah	509,000	0.42	
	TA Securities Holdings Berhad	500,000	0.42	
	IVT (DDG)			
23.	Lim Seong Tin	474,000	0.39	
	Leong Kim Mooi	394,600	0.33	
	Lim Chai Chang	330,000	0.27	
	Chua Sook Ming	324,350	0.27	
27.	Lorna Marie Koh	262,500	0.22	
28.	HLIB Nominees (Asing) Sdn Bhd	259,300	0.22	
	Hong Leong Bank Berhad for Wang Chiung Yueh			
29.	HLIB Nominees (Asing) Sdn Bhd	244,500	0.20	
	Hong Leong Bank Berhad for Chen Tsai Shu Sheng	,		
30.	Chen Seng Chong	225,000	0.19	
	Total	112,078,044	93.17	

No. of Free Warrants in issue : 60,000,000

: One (1) vote per Warrant in respect of Warrant Holders' Meeting **Voting Rights**

DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	640	59.10	45,208	0.08
100 to 1,000	112	10.34	68,779	0.11
1,001 to 10,000	192	17.73	856,225	1.44
10,001 to 100,000	104	9.60	3,858,147	6.49
100,001 to less than 5% of issued warrants	31	2.86	11,097,250	18.65
5% and above of issued warrants	4	0.37	43,560,001	73.23
Total	1,083	100.00	59,485,610	100.00

SUBSTANTIAL WARRANT HOLDERS

As per Register of Substantial Warrant Holders as at 3 April 2014

Dire	ct	Indirect			
No. of Warrants %		No. of Warrants	%		
19,980,001 14,400,000 5,040,000 5,030,250	33.59 24.21 8.47 8.46	- - -	- - -		
5,030,230	6.40	14,400,000*	24.21		

4. Kwan Sok Kay 110 5. Nareshchandra Gordhandas Nagrecha

Name of Substantial Warrant Holders

1. Gan Thiam Chai 2. Goshenite Limited 3. Gan Thiam Hock

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

DIRECTORS' WARRANT HOLDINGS

As per Register of Directors' Warrant Holdings as at 3 April 2014

	Dir	ect	Indirect	
Name of Directors	No. of Warrants	%	No. of Warrants	%
1. Gan Thiam Chai	19,980,001	33.59	-	-
2. Gan Thiam Hock	5,040,000	8.47	-	-
3. Kwan Sok Kay	5,030,250	8.46	-	-
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*	24.21
9. Timothy Tan Heng Han	22,500	0.04	-	-

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

Analysis on Warrant Holdings as per record of depositors as at 3 April 2014 • continued LIST OF THIRTY (30) LARGEST WARRANT HOLDERS as at 3 April 2014

No.	Name of Warrant holders	No. of Warrants	%
1.	Gan Thiam Chai	19,980,001	33.59
2.	Maybank Securities Nominees (Asing) Sdn Bhd	14,400,000	24.21
	Pledged Securities Account for Goshenite Limited		
3.	Gan Thiam Hock	5,040,000	8.47
4.	Kwan Sok Kay	4,140,000	6.96
5.	Niels John Madsen	2,004,750	3.37
6.	Choy Wee Chiap	1,135,400	1.91
7.	Kong Poh Yin	996,750	1.68
8.	Kwan Sok Kay	890,250	1.50
9.	Yap Sook Chen	537,600	0.90
10.	HLIB Nominees (Asing) Sdn Bhd	434,000	0.73
	Hong Leong Bank for Chiang Peter		
11.	Lai Yew Chung	396,500	0.67
12.	Maybank Securities Nominees (Asing) Sdn Bhd	386,175	0.65
	Pledged Securities Account for Shah Kamal Kant Zaverchand (Dealer 065)		
13.	Matrix Invent MSC Sdn Bhd	355,000	0.60
14.	Tiong Mee Mee	340,000	0.57
15.	Loh Ah Heng	322,750	0.54
16.	Chua Lee Guan	270,500	0.45
17.	Lydia Claire Lim Lih Yueah	237,500	0.40
18.	Lim Seong Tin	237,000	0.40
19.	Public Nominees (Tempatan) Sdn Bhd	233,000	0.39
	Pledged Securities Account for Lim Lian Hock (E-SPI)		
20.	SJ SEC Nominees (Tempatan) Sdn Bhd	222,000	0.37
	Pledged Securities Account for Lau Yau Chee (SMT)		
21.	Leong Kim Mooi	192,250	0.32
22.	Liaw Ah Koon	175,000	0.29
23.	Kenanga Nominees (Tempatan) Sdn Bhd	165,800	0.28
	Pledged Securities Account for Tay Bee Geok (04T00080Q-004)		
24.	Lim Chai Chang	165,000	0.28
25.	Chua Sook Ming	162,175	0.27
26.	Lim Soon Guan	150,000	0.25
27.	Tan Chuan Li	150,000	0.25
28.	Lorna Marie Koh	131,250	0.22
29.	Maybank Nominees (Tempatan) Sdn Bhd	130,000	0.22
	Pledged Securities Account for Lam Kai Chen		
30.	Yong Siew Ngee	121,000	0.20
	Total	54,101,651	90.95



TENTH 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					
	behalf at the Tenth Annual General Meeting of the Company to be held at marie, 1, Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan ment thereof.				
*My/Our proxy(ies) is/are to vote as indicated below:-					
NO. RESOLUTIONS	FOR AGAINST				
ORDINARY BUSINESS					
 To approve the payment of Directors' fees for the year. To re-elect the following Directors who retire in accordance of Association:- 	cordance with Article 80 of the				
2.1 Madam Kwan Sok Kay 2.2 Mr. Soo Yoke Mun	resolution 2 resolution 3				
2.3 Mr. Nareshchandra Gordhandas Nagrecha	resolution 4				
3. To re-elect Mr. Timothy Tan Heng Han who retires in	in accordance with Article 85				
of the Company's Articles of Association 4. To re-appoint Messrs. Cheng & Co. as the Compan	•				
the Board of Directors to fix their remuneration	resolution 6				
SPECIAL BUSINESS					
5. To re-appoint the following Directors as Independent of the Company:-	ent Non-Executive Directors				
5.1 Mr. Chen Seng Chong	resolution 7				
5.2 Mr. Lim Peng @ Lim Pang Tun	resolution o				
 Ordinary Resolution - Authority for Directors to allot to Section 132D of the Companies Act, 1965 	resolution 9				
7. Ordinary Resolution – Proposed Renewal of Shareholders' Mandate for Recurrent					
Related Party Transactions of a Revenue or Trading I	/				
and Rubicon Food Products LimitedOrdinary Resolution - Proposed Renewal of Shareho	resolution 10 Z				
Related Party Transactions of a Revenue or Trading 1	 				
Industry (M) Sdn Bhd, Food Valley Sdn Bhd and Ho	ot & Roll Sdn Bhd resolution 11				
[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].	 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 				
Signature / Common Seal of Shareholder(s)	each proxy. 4. 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				
Dated this day of 2014	its common seal or under the hand of an officer or attorney duly authorised in writing. 5. 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 ("omni				
Number of ordinary shares held :	bus 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. 6. 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				
CDS Account No.:	before the time for holding the meeting or at any adjournment thereof. 7. For the purpose of determining whether a member is entitled to atend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd in accordance with Article 55(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors				
[* Delete if not applicable]	industry (central Depositiones) Act 1991, to Issue a General infecting Record of Depositors as at 23 May 2014. Only a depositor whose name appears in the Record of Depositors as at 23 May 2014 will be entitled to attend, speak and vote at the Meeting.				

please fold here



THE COMPANY SECRETARY

KAWAN Food Berhad 640445-V

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

please fold here





KAWAN Food Berhad 640445-V (Incorporated in Malaysia)

