

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with FRS 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements and should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2008.

The accounting policies and presentation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2008.

A2. Status on Qualification of Audited Financial Statements

The audit report of the Group’s preceding year financial statement was not qualified.

A3. Seasonality or Cyclicity of Operations

The Group’s performance is generally affected by seasonal factors such as school holidays and festive seasons.

A4. Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash flows

There was no unusual item affecting assets, liabilities, equity, net income or cash flows during the financial period.

A5. Changes in Accounting Estimates

There were no changes in estimate of amount reported in prior interim period or financial year that have a material effect in the current financial quarter.

A6. Debt and Equity Securities

There was no issuance, cancellation, repurchases, resale and repayment of debt and equity securities.

A7. Dividends Paid

There were no dividend payments made during the current financial period.

A8. Segmental Information

| RM'million | Current Quarter 1 Jan - 31 Mar 2009 | | Current Quarter 1 Jan - 31 Mar 2008 | |
|---------------------------|--|---------------------|--|---------------------|
| | Revenue | Operating Profit | Revenue | Operating Profit |
| <u>Malaysia</u> | | | | |
| KFC restaurants | 303.9 | 35.2 | 295.2 | 31.7 |
| Integrated Poultry | 118.3 | 1.3 | 97.4 | 2.4 |
| Ancillary | 21.6 | 1.7 | 22.7 | 2.1 |
| | <u>443.8</u> | <u>38.2</u> | <u>415.3</u> | <u>36.2</u> |
| <u>Foreign</u> | | | | |
| KFC restaurants | <u>82.8</u> | <u>2.7</u> | <u>80.3</u> | <u>3.9</u> |
| Consolidated Total | <u>526.6</u> | <u>40.9</u> | <u>495.6</u> | <u>40.1</u> |

A9. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment has been brought forward without amendment from the financial statements for the year ended 31 December 2008.

A10. Material Events subsequent to the end of the current quarter

There were no material events subsequent to the end of the current quarter other than that reported in item A11 (3).

A11. Changes in the Composition of the Group

1. On 27 February 2009, the Company announced that it had through Roaster's Chicken Sdn Bhd and Ayamas Food Corporation Sdn Bhd entered into several Sale and Purchase of Shares Agreement Incorporating Shareholders' Agreement and Subscription Agreement incorporating Shareholders' Agreement (collectively known as "the Agreements"), respectively, with the following parties: -
 - (i) Musa bin Putit and Rasamas Taman Universiti Sdn Bhd
 - (ii) Azian binti Abdul Rashid and Rasamas Batu Caves Sdn Bhd
 - (iii) Mohd Noor Syawal bin Sanudin and Rasamas Tebrau Sdn Bhd
 - (iv) Ahmad bin Ali and Rasamas Larkin Sdn Bhd
 - (v) Nor Suraya Hani binti Maskan and Rasamas Bangi Sdn Bhd
 - (vi) Mohd Qamari bin Aluan and Semangat Juara Sdn Bhd
 - (vii) Mohd Iswazi bin Mod Isa and Ayamas Farms & Hatchery Sdn Bhd
 - (viii) Moharizian bte Mohammed and Ayamas Feedmill Sdn Bhd

The Agreements enable the parties to purchase and /or subscribe ordinary shares representing up to 10% and 25% equity interest respectively in the respective companies arising from the implementation of the Rasamas Intrapreneur Scheme and Ayamas Intrapreneur Contract Farming Scheme.

2. On 4 March 2009, the Company announced that Roaster's Chicken Sdn Bhd, a wholly-owned subsidiary of the Company had acquired the entire issued and paid up share capital of the following companies comprising two (2) ordinary shares of RM1.00 each for a total cash consideration of RM2.00 for each company: -

- (i) Rasamas Mergong Sdn Bhd (formerly known as Smart Revenue Sdn Bhd) ;
- (ii) Rasamas Endah Parade Sdn Bhd (formerly known as Bima Permata Sdn Bhd) ;
- (iii) Rasamas Nilai Sdn Bhd (formerly known as Midland Brand Sdn Bhd) ;
- (iv) Rasamas Kota Bharu Sdn Bhd (formerly known as Dominion Brand Sdn Bhd) ;
- (v) Rasamas Butterworth Sdn Bhd (formerly known as Heritage Revenue Sdn Bhd) ;
- (vi) Natural Equity Sdn Bhd ;
- (vii) Rasamas Bukit Tinggi Sdn Bhd (formerly known as Premier Option Sdn Bhd) ;
- (viii) Rasamas Subang Sdn Bhd (formerly known as Supreme Delight Sdn Bhd) ; and
- (ix) Rasamas Wangsa Maju Sdn Bhd (formerly known as Sensasi Laman Sdn Bhd).

The companies are currently used for the purpose of the Company's Rasamas Intrapreneur Scheme.

3. On 30 April 2009, the Company announced that it had accepted an offer from Yum! Restaurants (India) Pvt. Ltd as part of the initial agreement, to operate KFC Franchise Business in Mumbai and Pune in India.

KFCH will be incorporating and registering a wholly owned subsidiary company in Malaysia (hereinafter known as "KFC India"). Simultaneously, two wholly owned subsidiary companies of KFC India will be incorporated in India.

4. On 13 May 2009, the Company announced the acquisition of the entire issued and paid up share capital of Orient Palm Sdn Bhd comprising two (2) ordinary shares of RM1.00 each for a total cash consideration of RM2.00.

The company is intended to be used for the purpose of the Company's venture into KFC India.

A12. Changes in Contingent Liabilities and Contingent Assets

Since the last Balance Sheet date, there were no material changes in contingent liabilities and contingent assets.

A13. Capital Commitments

| | RM'000 |
|-----------------------------------|----------------|
| Capital expenditure : | |
| Property, plant and equipment | |
| - approved and contracted for | 36,648 |
| - approved but not contracted for | 162,956 |
| | <u>199,604</u> |

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENT

B1. Review of the Performance of the Company and its Principal Subsidiaries

The Group achieved revenue of RM526.6 million for the current quarter, representing a growth of 6.3% over prior year corresponding period of RM495.6 million. The KFC restaurants segment registered a 3.0% revenue growth to RM386.7 million (2008 : RM375.5 million) while the Integrated Poultry segment recorded a 21.5% revenue growth to RM118.3 million (2008 : RM97.4 million).

It registered a profit before tax of RM40.9 million in the current quarter as against previous year's corresponding period of RM40.1 million.

Revenue

The Group's revenue for the period under review improved primarily from its continuing strategy of network expansion and its effective KFC marketing programs. The growth in the integrated poultry segment was attributed to better sales to the KFC restaurants and improvement in its local open market sales.

Profitability

(a) KFC Restaurants Segment

The restaurant segment profit growth of 6.5% to RM37.9 million (2008 : RM35.6 million) was primarily attributed to :-

Malaysia Operations

- (i) continuing network expansion where 7 new restaurants were opened during the period under review and 33 outlets were added to the network since April 2008 ;
- (ii) the introduction of innovative new products such as Zinger Tower, Colonel Chicken Wings and new breakfast menu ; and
- (iii) the expansion of outlet network offering new sales channel such as breakfast and extended hours.

Singapore Operations

The introduction of new product such as Fortune Feast during the festive season and value offerings such as Ultimate Value Box and KFC Snackers amid a weak economic environment drove sales and transactions at the restaurants.

Its revenue were also boosted by the net addition of 3 outlets to the network since April 2008. Its profitability was however dampened by increased cost of its imported poultry products.

(b) Integrated Poultry Segment

Despite improved sales to the KFC restaurants and better sales of its Ayamas products to the local open market, this segment registered a decline in profitability to RM1.3 million in the current quarter from prior year's corresponding period of RM2.4 million.

This was primarily attributed to the higher cost of its ingredients, packaging materials and general operating cost. Efforts are being taken to drive better cost efficiencies at the production facilities.

B2. Material Changes in the Quarterly Results

The Group's revenue decreased by 12.5% to RM526.6 million in the current quarter as against RM601.9 million in the previous quarter. However, profit before tax increased by 2.2% to RM40.9 million for the current quarter from RM40.0 million in the previous quarter. As a result, earnings per share increased from 14.32 sen in the previous quarter to 14.47 sen in the current quarter.

Despite lower revenue in the current quarter, operating profit was higher as previous quarter included the full provision for impairment loss of its RM4.5 million investment made in June 2004 in some subordinated bonds redeemable in mid 2009.

B3. Current Year Prospects

The global economy deteriorated further during the first quarter. In Singapore, initial estimates indicated that the Singapore economy registered a negative growth of 11.5% in the first quarter and the Ministry of Trade and Industry announced that the Gross Domestic Product would contract by 6% to 9% in 2009. (Source : Ministry of Trade and Industry, Singapore). It was widely expected that the Malaysian economy will improve in the second half of 2009 supported by the stabilization in global economic conditions. These expectations were however dampened by the outbreak of Influenza A (H1N1) in late April 2009, which may slow down the economic recovery process.

With the prevalent economic uncertainties, consumer spending is expected to be negatively affected. Thus the Group will continue to focus on value to customers by offering value for money products to align with its customers spending ability.

Based on the foregoing, the Board is optimistic of sustaining the Group's performance in the balance of the year. The Group has laid down plans to increase revenue and profitability by increasing the restaurants network, enhancing customer experience, developing new and improved products, expanding business activities, developing better cost efficiencies and improving productivity at all the restaurants and manufacturing facilities.

B4. Statement of Revenue or Profit Estimate, Forecast, Projection or Internal Targets previously announced or Disclosed in a Public Document

Not applicable.

B5. Profit Forecast/Profit Guarantee

The Company is not subject to any profit forecast or profit guarantee requirement.

B6. Taxation

| | Current Quarter RM'000 |
|-------------------------------|---------------------------------------|
| Tax expense for the period :- | |
| Malaysian income tax | 10,844 |
| Foreign tax | 664 |
| | <u>11,508</u> |
| Deferred tax | <u>(8)</u> |
| | <u><u>11,500</u></u> |

The effective tax rate for the Group for the current period is higher than the statutory tax rate in view of the disallowance of certain expenses for tax purposes.

B7. Sale of Unquoted Investments and Properties

There was no sale of unquoted investments and properties.

B8. Quoted Securities

- a) The particulars of purchase or disposal of quoted securities in unit trusts fund by the Group are as follows :-

| | Current Quarter RM'000 |
|----------------------------------|---------------------------------------|
| Total purchase consideration | - |
| Total sale proceeds | 20,450 |
| Total profit/(loss) on disposals | <u>247</u> |

- b) Subsequent to the sale as set out in (a) above, the Group no longer holds any investment in unit trusts fund as at 31 March 2009.

B9. Status of Uncompleted Corporate Announcements

1. The Company had on 2 November 2007 announced the purchase of a piece of freehold land measuring approximately 41,294.90 square feet identified as Parcel C9 being part of land previously held under Lot 413, Mukim of Tebrau, District of Johor Bahru, via its wholly-owned subsidiary, KFC (Peninsular Malaysia) Sdn Bhd for a cash consideration of RM3,241,648.

The Company is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement with Damansara Realty (Johor) Sdn Bhd, a member of Johor Corporation Group of Companies.

2. The Company had on 27 December 2007 announced the purchase of a piece of land (including all factories, buildings, structures, infrastructure and facilities built or erected on the land) measuring 20.533 acres that forms part of a leasehold industrial land (expiring on 30 January 2041) held under document of title HS (D) 2276, PTD 1384, Mukim Hulu Sungai Johor, Kota Tinggi, Johor for a cash consideration of RM6,150,000.

The Company is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement with Sindora Berhad, a member of Johor Corporation Group of Companies.

3. The Company had on 10 July 2008 announced the purchase of a part of the land measuring 1.18 acres held under HS(D) 367670 PTD104984, in the Mukim of Tebrau, Daerah Johor Bahru, Johor, via its wholly-owned subsidiary, SPM Restaurants Sdn Bhd for a cash consideration of RM4,034,963.

The Company is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement with Damansara Realty (Johor) Sdn Bhd, a member of Johor Corporation Group of Companies.

4. The Company had on 5 November 2008 announced the purchase of a piece of agricultural land measuring 400 acres in area being part of Lot PTD 9374 HS(D) 41897, Mukim Bukit Batu, District of Kulajaya, State of Johor Darul Takzim, via its wholly-owned subsidiary, Ayamas Food Corporation Sdn Bhd for a cash consideration of RM10,400,000.

The Company is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement with Johor Corporation.

B10. Borrowings and Debt Securities

| | As at 31 March 2009 |
|---------------------------------------|------------------------|
| | RM'000 |
| Short term borrowings:- | |
| Secured - Term Loan I (SGD2,550,000) | 6,056 |
| - Term Loan III | 20,000 |
| - Term Loans IV | 586 |
| | ----- |
| | 26,642 |
| Unsecured - Term Loan II | 45,000 |
| - Term Loan V | 5,177 |
| - Murabahah Revolving Financing (MRF) | 10,000 |
| - Bankers' Acceptance | 4,636 |
| | ----- |
| | 91,455 |
| | ===== |
| Long term borrowings:- | |
| Secured - Term Loan III | 30,000 |
| - Term Loans IV | 1,639 |
| | ----- |
| | 31,639 |
| Unsecured - Term Loan V | 22,432 |
| | ----- |
| | 54,071 |
| | ===== |

- (a) The Singapore currency denominated Term Loan I is repayable semi-annually over a period of 5 years commencing from the second quarter of year 2004. The term loan is secured by a RM3.7 million cash deposit.
- (b) The unsecured Term Loan II of RM45 million is repayable in the second quarter of year 2009.
- (c) The secured Term Loans III were a partial drawdown of a total loan facility of RM150 million which was arranged to partly finance the redemption of the ABBA NIF. This facility is repayable semi-annually over a period of 4 - 7 years commencing from the first quarter of year 2009 and is secured against 1st and 3rd party charges over certain land and buildings owned by the Company's subsidiaries.
- (d) The secured Term Loans IV of RM2.4 million and RM1.4 million obtained by Tepak Marketing Sdn Bhd were secured by certain of its land and buildings, cash deposit of RM200,000, corporate guarantee of Sindora Berhad (the previous majority shareholder) and a debenture on its assets. The two term loans are repayable over a period of 7 years expiring in the fourth quarter of year 2013 and third quarter of year 2011 respectively.
- (e) The unsecured Term Loan V of RM27.6 million is repayable over a period of 4 years commencing from the third quarter of year 2009.
- (f) The short term unsecured Murabahah Revolving Financing Facility of RM10 million is due for repayment on 25 April 2009.
- (g) The bankers' acceptance of RM4,636,000 was drawn for imported raw materials purchases and is due for repayment on 12 June 2009.

B11. Financial Instrument with Off Balance Sheet Risk

There were no financial instruments with off balance sheet risk as at the date of this report.

B12. Changes in Material Litigations

There was no material litigation pending as at the date of this report.

B13. Dividends Proposed

There was no dividend proposed during the current quarter (2008 : Nil).

B14. Earnings Per Share

| | CURRENT QUARTER 1 Jan - 31 Mar | |
|---|---|--------------|
| | 2009 | 2008 |
| Profit attributable to equity holders of the Company (RM'000) | 28,697 | 28,288 |
| Weighted average number of ordinary shares in issue ('000) | 198,275 | 198,275 |
| Basic earnings per share (sen) | <u>14.47</u> | <u>14.27</u> |

There was no dilution in its earnings per share as there were no dilutive ordinary shares outstanding as at the end of the reporting period.

B15. Currency Translation

The exchange rates used for each unit of the foreign currencies in the Group for the current financial period were :-

| | THIS YEAR CURRENT QUARTER | | PRECEEDING YEAR CORRESPONDING QUARTER | |
|-------------------------|--|--|--|--|
| | MTH-END RATE RM | AVERAGE RATE RM | MTH-END RATE RM | AVERAGE RATE RM |
| Hong Kong (HK\$) | 0.4594 | 0.4610 | 0.4213 | 0.4209 |
| Brunei Darussalam (B\$) | 2.3750 | 2.3700 | 2.3380 | 2.3250 |
| Singapore (S\$) | 2.3750 | 2.3700 | 2.3375 | 2.3245 |

By Order of the Board
KFC HOLDINGS (MALAYSIA) BHD

.....
MOHD ZAM BIN MUSTAMAN (LS 0009020)
IDHAM JIHADI BIN ABU BAKAR (MAICSA 7007381)
(COMPANY SECRETARIES)

Date: 21 May 2009