

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. Dividend Paid

Dividend paid on 28 May 2009 was declared on 8 April 2009, in respect of the year ended 31 December 2008 being final dividend of 14 sen less 25% tax per share, on 198,274,682 ordinary shares, amounted to RM20,818,798.

A8. Segmental Information

RM'million	Cumulative Quarters 1 Jan - 30 Jun 2009		Cumulative Quarters 1 Jan - 30 Jun 2008	
	Revenue	Operating Profit	Revenue	Operating Profit
<u>Malaysia</u>				
KFC restaurants	641.6	78.1	608.2	65.1
Integrated Poultry	234.0	0.3	202.3	7.9
Ancillary	42.8	0.3	49.7	2.2
	<u>918.4</u>	<u>78.7</u>	<u>860.2</u>	<u>75.2</u>
<u>Foreign</u>				
KFC restaurants	<u>169.7</u>	<u>7.1</u>	<u>165.2</u>	<u>8.1</u>
Consolidated Total	<u>1,088.1</u>	<u>85.8</u>	<u>1,025.4</u>	<u>83.3</u>
RM'million	Current Quarter 1 Apr - 30 Jun 2009		Current Quarter 1 Apr - 30 Jun 2008	
	Revenue	Operating Profit/(loss)	Revenue	Operating Profit
<u>Malaysia</u>				
KFC restaurants	337.7	42.9	313.0	33.4
Integrated Poultry	115.7	(1.0)	104.9	5.5
Ancillary	21.1	(1.3)	27.0	0.1
	<u>474.5</u>	<u>40.6</u>	<u>444.9</u>	<u>39.0</u>
<u>Foreign</u>				
KFC restaurants	<u>86.9</u>	<u>4.3</u>	<u>84.9</u>	<u>4.2</u>
Consolidated Total	<u>561.4</u>	<u>44.9</u>	<u>529.8</u>	<u>43.2</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.

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.

4. On 13 May 2009, the Company announced the acquisition of the entire issued and paid up share capital of KFC India Holdings Sdn Bhd (formerly known as 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.

5. On 7 August 2009, the Company announced the establishment of a wholly owned subsidiary in Mauritius, i.e., Mauritius Food Corporation Pvt Ltd ("Mauritius") via its wholly owned subsidiary, KFC India Holdings Sdn Bhd (formerly known as Orient Palm Sdn Bhd). The paid up share capital of Mauritius is USD2.00 comprising 2 ordinary shares.

Mauritius will be the investment holding company for the operating companies to be established in Mumbai and Pune, 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	29,215
- approved but not contracted for	159,235
	<u>188,450</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 RM1,088.1 million for the current financial year-to-date, representing a growth of 6.1% over prior year corresponding period of RM1,025.4 million. The KFC restaurants segment registered a 4.9% revenue growth to RM811.3 million (2008 : RM773.4 million) while the Integrated Poultry segment recorded a 15.7% revenue growth to RM234.0 million (2008 : RM202.3 million).

It registered a profit before tax of RM85.8 million in the current period as against previous year's corresponding period of RM83.3 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 and export sales.

Profitability

(a) KFC Restaurants Segment

The restaurant segment profit growth of 16.4% to RM85.2 million (2008 : RM73.2 million) was primarily attributed to :-

Malaysia Operations

- (i) continuing network expansion where 13 new restaurants were opened during the period under review and 31 outlets were added to the network since July 2008 ;
- (ii) the introduction of innovative new products such as Zinger Tower, Colonel Chicken Wings, new breakfast menu, Jom Jimat promotions and Fiery Lime Crunch ; and
- (iii) the expansion of outlet network offering new sales channels such as breakfast and extended hours.

Singapore Operations

The introduction of new products such as Fortune Feast during the festive season, Toasted Banditto Pockett and value offerings such as Ultimate Value Box and KFC Snackers amid a weak economic environment drove sales and transactions at the restaurants. KFC Breakfast which was relaunched in Singapore in May 2009 boosted revenue.

Its revenue was also enhanced by the net addition of 2 outlets to the network since July 2008. Its profitability was however dampened by increased cost of its imported poultry products and costs of its value driven promotions.

(b) Integrated Poultry Segment

Despite improved sales to the KFC restaurants and better sales of its Ayamas products to the local open market and export market, this segment registered a decline in profitability 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 increased by 6.6% to RM561.4 million in the current quarter as against RM526.6 million in the previous quarter. Correspondingly, profit before tax increased by 9.8% to RM44.9 million for the current quarter from RM40.9 million in the previous quarter. As a result, earnings per share increased from 14.47 sen in the previous quarter to 15.98 sen in the current quarter.

The better profit in the current quarter was primarily attributed to the higher throughput from its KFC restaurant business.

B3. Current Year Prospects

In general, global sentiment has improved over the last few months, as evident by the improvement of the performance of the equity markets. In Singapore, it was reported that based on initial estimates, it registered better performance in the second quarter than the first quarter, and thus the Ministry of Trade and Industry has revised its economic forecast and expects the Singapore economy to contract by 4% to 6% as against earlier projections of 6% to 9% (Source : Ministry of Trade and Industry, Singapore). The Malaysian economy is expected to recover, supported by the Government's fiscal stimulus packages whereby the spending will have a multiplier effect on domestic consumption. The recent recovery of the local equity market is expected to have a positive effect on the wealth of consumers, thus boosting consumption. In addition, the recovery of the commodity prices such as crude oil and crude palm oil will boost the Malaysian economy further.

These positive development may however be dampened by the prevalent outbreak of Influenza A (H1N1) which could negatively impact consumers' outdoor activities and spending.

In the light of the current uncertainties, 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	Cumulative Quarters RM'000
Tax expense for the period :-		
Malaysian income tax	11,573	22,417
Foreign tax	996	1,660
	<u>12,569</u>	<u>24,077</u>
Deferred tax	31	23
	<u>12,600</u>	<u>24,100</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 during the financial period under review. However there was a sale of property during the period which resulted in a gain on disposal of RM277,466.

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	Cumulative Quarters RM'000
Total purchase consideration	-	-
Total sale proceeds	-	20,450
Total profit/(loss) on disposals	<u>-</u>	<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 30 June 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 30 June 2009
		RM'000
Short term borrowings:-		
Secured	- Term Loan I	20,000
	- Term Loans II	586

		20,586
Unsecured	- Term Loan III	7,184
	- Bankers' Acceptance	11,798

		39,568
		=====
Long term borrowings:-		
Secured	- Term Loan I	30,000
	- Term Loans II	1,493

		31,493
Unsecured	- Term Loan III	21,825
	- Term Loan IV	45,000

		98,318
		=====

- (a) The secured Term Loan I was 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, expiring in the third quarter of year 2011, and is secured against 1st and 3rd party charges over certain land and buildings owned by the Company's subsidiaries.
- (b) The secured Term Loan II 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.
- (c) The unsecured Term Loan III of RM29,009,000 is repayable over a period of 4 years commencing from the third quarter of year 2009.
- (d) A new unsecured Term Loan IV of RM45 million was taken to refinance a term loan which was fully repaid in the second quarter of 2009. This loan is repayable in a full lump sum in the second quarter of 2014.

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. Dividend Proposed

The Board of Directors has during the quarter under review declared an interim dividend of 8 sen less tax of 25% (2008 : 8 sen less tax of 26%) per ordinary share in respect of the financial year ending 31 December 2009 which will be paid on 30 September 2009 to shareholders whose names appear on the Record of Depositors as at 11 September 2009, ie :-

- a) shares transferred into the Depository's Securities Account before 4p.m. on 11 September 2009 in respect of ordinary transfers ; and
- b) shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

B14. Earnings Per Share

	CURRENT QUARTER		CUMULATIVE QUARTERS	
	1 Apr - 30 Jun 2009	2008	1 Jan - 30 Jun 2009	2008
Profit attributable to equity holders of the Company (RM'000)	31,680	30,411	60,377	58,699
Weighted average number of ordinary shares in issue ('000)	198,275	198,275	198,275	198,275
Basic earnings per share (sen)	<u>15.98</u>	<u>15.34</u>	<u>30.45</u>	<u>29.60</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\$)	0.4433	0.4405	0.4289	0.4321
Brunei Darussalam (B\$)	2.4030	2.3950	2.4230	2.3700
Singapore (S\$)	2.4030	2.3950	2.4225	2.3695

By Order of the Board
KFC HOLDINGS (MALAYSIA) BHD

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

Date: 19 August 2009