

**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**

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.

Dividend paid on 30 September 2009 was declared on 19 August 2009, in respect of the year ending 31 December 2009 being interim dividend of 8 sen less 25% tax per share, on 198,274,682 ordinary shares, amounted to RM11,896,481.

## A8. Segmental Information

RM'million	Cumulative Quarters 1 Jan - 30 Sep 2009		Cumulative Quarters 1 Jan - 30 Sep 2008	
	Revenue	Operating Profit	Revenue	Operating Profit
<u>Malaysia</u>				
KFC restaurants	988.9	121.1	922.9	105.1
Integrated Poultry	358.2	2.2	324.3	10.5
Ancillary	64.7	0.1	75.7	0.9
	<u>1,411.8</u>	<u>123.4</u>	<u>1,322.9</u>	<u>116.5</u>
<u>Foreign</u>				
KFC restaurants	<u>261.4</u>	<u>11.9</u>	<u>255.0</u>	<u>10.9</u>
<b>Consolidated Total</b>	<b><u>1,673.2</u></b>	<b><u>135.3</u></b>	<b><u>1,577.9</u></b>	<b><u>127.4</u></b>

RM'million	Current Quarter 1 Jul - 30 Sep 2009		Current Quarter 1 Jul - 30 Sep 2008	
	Revenue	Operating Profit/(loss)	Revenue	Operating Profit/(loss)
<u>Malaysia</u>				
KFC restaurants	347.3	43.1	314.7	40.0
Integrated Poultry	124.3	1.9	122.0	2.5
Ancillary	21.9	(0.3)	25.9	(1.3)
	<u>493.5</u>	<u>44.7</u>	<u>462.6</u>	<u>41.2</u>
<u>Foreign</u>				
KFC restaurants	<u>91.7</u>	<u>4.7</u>	<u>89.8</u>	<u>2.9</u>
<b>Consolidated Total</b>	<b><u>585.2</u></b>	<b><u>49.4</u></b>	<b><u>552.4</u></b>	<b><u>44.1</u></b>

## 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

- 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: -
  - Musa bin Putit and Rasamas Taman Universiti Sdn Bhd
  - Azian binti Abdul Rashid and Rasamas Batu Caves Sdn Bhd
  - Mohd Noor Syawal bin Sanudin and Rasamas Tebrau Sdn Bhd
  - Ahmad bin Ali and Rasamas Larkin Sdn Bhd
  - Nor Suraya Hani binti Maskan and Rasamas Bangi Sdn Bhd
  - Mohd Qamari bin Aluan and Semangat Juara Sdn Bhd
  - Mohd Iswazi bin Mod Isa and Ayamas Farms & Hatchery Sdn Bhd
  - 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.

6. On 20 August 2009, the Company announced that it had through Roaster's Chicken Sdn Bhd entered into several Subscription Agreement incorporating Shareholders' Agreement with the following parties: -
  - (i) Mohd Khir bin Yadin and Rasamas Butterworth Sdn Bhd (formerly known as Heritage Revenue Sdn Bhd)
  - (ii) Lim Mooi Huang and Rasamas Subang Sdn Bhd (formerly known as Supreme Delight Sdn Bhd)
  - (iii) Noor Azlinda binti Ibrahim and Rasamas Wangsa Maju Sdn Bhd (formerly known as Sensasi Laman Sdn Bhd)

The agreements enable the parties to subscribe ordinary shares representing up to 10% equity interest in the respective companies arising from the implementation of the Rasamas Intrapreneur Scheme.

7. On 20 August 2009, the Company announced that it had through Roaster's Chicken Sdn Bhd terminated the agreements with the following parties due to the resignation of the Rasamas Intrapreneur Parties (see definition below): -

- (i) Azian binti Abdul Rashid and Rasamas Batu Caves Sdn Bhd
- (ii) Nor Suraya Hani binti Maskan and Rasamas Bangi Sdn Bhd

(Pn Azian binti Abdul Rashid and Pn Nor Suraya Hani binti Maskan are hereinafter referred to as the "Rasamas Intrapreneur Parties").

In view of the above, Rasamas Batu Caves Sdn Bhd and Rasamas Bangi Sdn Bhd will revert to become wholly-owned subsidiaries of Roaster's Chicken Sdn Bhd.

8. On 18 September 2009, the Company announced that it had entered into a Share Sale Agreement for the acquisition of the entire equity interest in Paramount Management Sdn Bhd and Paramount Holdings (M) Sdn Bhd, comprising 500,000 ordinary shares each and the entire equity interest in Gratings Solar Sdn Bhd comprising 200,000 ordinary shares, at a total cash consideration of RM6.5 million.

9. On 24 September 2009, the Company announced that it had re-organised its group structure involving a wholly-owned subsidiary, namely Ayamas Food Corporation (S) Pte Ltd ("Ayamas Singapore").

The internal reorganization entails the transfer of Ayamas Singapore from Ayamas Food Corporation Sdn Bhd to be held under KFC Marketing Sdn Bhd.

10. On 30 September 2009, the Company announced that it had vide its nominees and wholly-owned subsidiary, Mauritius Food Corporation Pvt Ltd, established Mumbai Chicken Pvt Ltd and Pune Chicken Restaurants Pvt Ltd.

#### **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**

	<b>RM'000</b>
Capital expenditure :	
Property, plant and equipment	
- approved and contracted for	26,980
- approved but not contracted for	147,162
	<u>174,142</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 RM1,673.2 million for the current financial year-to-date, representing a growth of 6.0% over prior year corresponding period of RM1,577.9 million. The KFC restaurants segment registered a 6.1% revenue growth to RM1,250.3 million (2008 : RM1,177.9 million) while the Integrated Poultry segment recorded a 10.5% revenue growth to RM358.2 million (2008 : RM324.3 million).

It registered a profit before tax of RM135.3 million in the current period as against previous year's corresponding period of RM127.4 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 14.7% to RM133.0 million (2008 : RM116.0 million) was primarily attributed to :-

#### **Malaysia Operations**

- (i) continuing network expansion where 20 new restaurants were opened during the period under review and 26 outlets were added to the network since October 2008 ;
- (ii) the introduction of innovative new products and promotions such as Zinger Tower, Colonel Chicken Wings, new breakfast menu, Jom Jimat promotions, Fiery Lime Crunch, Shrimp Stix, Cheesy Chickaroni, Bubur Lambuk and Sahur Combo ; 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, Hot Devil Drumlets (new variants), Hot Box 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 an additional outlet to the network since October 2008. Its profitability was however slightly 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 4.2% to RM585.2 million in the current quarter as against RM561.4 million in the previous quarter. Correspondingly, profit before tax increased by 10.0% to RM49.4 million for the current quarter from RM44.9 million in the previous quarter. As a result, earnings per share increased from 15.98 sen in the previous quarter to 17.65 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

The US economy recovered from recession with an economic growth of 3.5% in the third quarter of 2009 after recording economic contraction in the previous four quarters (Source : US Commerce Department). The Malaysian Government fiscal stimulus spending has begun to bear fruits with improved consumer spending and sentiment. The local equity market continued its steady upward trend, boosting consumer sentiments too. The recently announced Malaysian Budget 2010 forecast an economic contraction of 3% in 2009 followed by an economic growth of 2% - 3% in 2010. The Budget 2010, amongst others, seek to increase consumers disposable income via the increase in personal tax relief and the lowering of the maximum tax rate from 27% to 26% in 2010. As for Singapore, its Ministry of Trade and Industry has recently announced a year-on-year growth of 0.6% in the third quarter of 2009.

The recent outbreak of Influenza A (H1N1) is now under control with no additional incidences of fatality over the last few weeks. This will certainly allay consumers fear of outdoor activities and will improve restaurants throughput.

Based on the above positive developments, the Board is optimistic of sustaining the Group's performance for the year. The Group will continue to implement its plan of increasing revenue and profitability by enhancing customer experience, developing new and improved products, increasing the restaurants network, 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	12,687	35,104
Foreign tax	1,075	2,735
	<u>13,762</u>	<u>37,839</u>
Deferred tax	138	161
	<u>13,900</u>	<u>38,000</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 :-

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

- 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 September 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 had on 18 September 2009 announced that the Company and Damansara Realty (Johor) Sdn Bhd, the Vendor, have mutually agreed that the Sale and Purchase Agreement have been varied with the execution of the Supplemental Sale and Purchase Agreement on 18 September 2009.

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 Kulaijaya, 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 Sep 2009
		RM'000
Short term borrowings:-		
Secured	- Term Loan I	20,000
	- Term Loans II	586
		-----
		20,586
Unsecured	- Term Loan III	7,275
	- Bankers' Acceptance	23,273
		-----
		51,134
		=====
Long term borrowings:-		
Secured	- Term Loan I	20,000
	- Term Loans II	1,346
		-----
		21,346
Unsecured	- Term Loan III	20,006
	- Term Loan IV	45,000
		-----
		86,352
		=====

- (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 1<sup>st</sup> and 3<sup>rd</sup> 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) The 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

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

The total dividend declared by the Company to-date for the financial year ending 31 December 2009 represented 8 sen less tax of 25% (2008 : 8 sen less tax of 26%) per ordinary share.

**B14. Earnings Per Share**

	CURRENT QUARTER		CUMULATIVE QUARTERS	
	1 Jul - 30 Sep 2009	2008	1 Jan - 30 Sep 2009	2008
Profit attributable to equity holders of the Company (RM'000)	35,002	31,451	95,379	90,150
Weighted average number of ordinary shares in issue ('000)	198,275	198,275	198,275	198,275
Basic earnings per share (sen)	<u>17.65</u>	<u>15.86</u>	<u>48.10</u>	<u>45.47</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\$)	0.4375	0.4397	0.4564	0.4459
Brunei Darussalam (B\$)	2.4290	2.4205	2.4380	2.3775
Singapore (S\$)	2.4290	2.4205	2.4375	2.3770

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: 24 November 2009