

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 year.

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 ended 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 - 31 Dec 2009		Cumulative Quarters 1 Jan - 31 Dec 2008	
	Revenue	Operating Profit	Revenue (Audited)	Operating Profit/(loss) (Audited)
<u>Malaysia</u>				
KFC restaurants	1,365.6	170.9	1,284.4	149.4
Integrated Poultry	484.1	1.1	445.0	7.1
Ancillary	89.6	(0.1)	105.9	(2.6)
	<u>1,939.3</u>	<u>171.9</u>	<u>1,835.3</u>	<u>153.9</u>
<u>Foreign</u>				
KFC restaurants	<u>358.1</u>	<u>18.1</u>	<u>344.5</u>	<u>13.6</u>
Consolidated Total	<u>2,297.4</u>	<u>190.0</u>	<u>2,179.8</u>	<u>167.5</u>

RM'million	Current Quarter 1 Oct - 31 Dec 2009		Current Quarter 1 Oct - 31 Dec 2008	
	Revenue	Operating Profit/(loss)	Revenue	Operating Profit/(loss)
<u>Malaysia</u>				
KFC restaurants	376.7	49.7	361.5	44.3
Integrated Poultry	125.9	(1.1)	120.7	(3.4)
Ancillary	24.9	(0.2)	30.2	(3.6)
	<u>527.5</u>	<u>48.4</u>	<u>512.4</u>	<u>37.3</u>
<u>Foreign</u>				
KFC restaurants	<u>96.7</u>	<u>6.3</u>	<u>89.5</u>	<u>2.7</u>
Consolidated Total	<u>624.2</u>	<u>54.7</u>	<u>601.9</u>	<u>40.0</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 9 December 2009, the Company announced the acquisition of the entire issued and paid-up share capital of Roda Kapital Sdn Bhd comprising two (2) ordinary shares of RM1.00 each for a total cash consideration of RM2.00. Simultaneously, KFC Marketing Sdn Bhd, a wholly-owned subsidiary of Ayamas Food Corporation Sdn Bhd has acquired the entire issued and paid-up share capital of Universal Bonus Sdn Bhd comprising two (2) ordinary shares of RM1.00 each for a total cash consideration of RM2.00.

The companies are intended to be used for future expansion.

2. On 15 December 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) Bold Ocean Sdn Bhd
- ii) Prisma Circle Sdn Bhd

The companies are intended to be used for the purpose of the Company's Rasamas Intrapreneur Scheme.

3. On 27 January 2010, 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) Masnawi bin Mohamed Soa'aid and Rasamas Bukit Tinggi Sdn Bhd (Formerly known as Premier Option Sdn Bhd)
- ii) Mohd Faizal bin Awang Soh and Rasamas Kota Bharu 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.

4. On 27 January 2010, the Company announced that it had re-organised its group structure involving the transfer of the Rasamas Intrapreneur Companies, arising from the implementation of the Group's Rasamas Intrapreneur Scheme, to the following: -

- i) Rasamas Wangsa Maju Sdn Bhd (formerly known as Sensasi Laman Sdn Bhd) will acquire Natural Equity Sdn Bhd. Natural Equity Sdn Bhd is intended to house the operations of the Rasamas Batu Cave outlet ; and
- ii) Rasamas Tebrau Sdn Bhd will acquire Bold Ocean Sdn Bhd. Bold Ocean Sdn Bhd is intended to house the operations of the Rasamas Terminal Larkin outlet.

5. On 17 February 2010, the Company announced that it had re-organised its group structure involving the transfer of Ayamazz Sdn Bhd (formerly known as Rasa Gourmet Sdn Bhd) from Ayamas Food Corporation Sdn Bhd to KFC Marketing Sdn Bhd.

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	29,492
- approved but not contracted for	214,130
	<u>243,622</u>

A14. Comparatives

Certain comparative figures have been reclassified to conform with current year's presentation.

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 RM2,297.4 million for the current financial year, representing a growth of 5.4% over prior year's RM2,179.8 million. The KFC restaurants segment registered a 5.8% revenue growth to RM1,723.7 million (2008 : RM1,628.9 million) while the Integrated Poultry segment recorded a 8.8% revenue growth to RM484.1 million (2008 : RM445.0 million).

It registered a profit before tax of RM190.0 million in the current year as against previous year's RM167.5 million.

Revenue

The Group's revenue for the year 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 16.0% to RM189.0 million (2008 : RM163.0 million) was primarily attributed to :-

Malaysia Operations

- (i) continuing network expansion where 39 new restaurants (net of closures) were opened during the year under review;
- (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, Sahur Combo and Chicker Pepper Burger and Hot Rods with sauce; 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, Black Pepper Chicken 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 four additional outlets to the network during the year and thus boosted profitability.

(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 6.7% to RM624.2 million in the current quarter as against RM585.2 million in the previous quarter. Correspondingly, profit before tax increased by 10.7% to RM54.7 million for the current quarter from RM49.4 million in the previous quarter. As a result, earnings per share increased from 17.65 sen in the previous quarter to 17.67 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. Prospects for the Forthcoming Year

The US economy is recovering gradually but unemployment remained high at about 9.7% in January 2010. (Source : US Commerce Department/Labour Department). The International Monetary Fund (IMF) expects global economy to be stronger this year with expansion of 3.9% in 2010 (Source : IMF). The Asian economies particularly China and India are expected to lead the way in economic growth. The Malaysian Institute of Economic Research (MIER) is projecting an economic growth of 3.7% for Malaysia in 2010 (Source : MIER) while Singapore's economy is expected to improve from a negative growth of -2% in 2009 to a positive growth of 4.5% to 6.5% in 2010 (Source : Ministry of Trade and Industry Singapore). In Malaysia, the latest MIER's Consumer Sentiment Index signals a growing optimism over current financial and job outlook.

Overall confidence were however adversely affected recently following China's tightening of its monetary policy in light of the potential creation of asset bubble as well as the US proposals to limit risk-taking by its banks.

Based on the above generally positive outlook, the Board is optimistic of sustaining the Group's performance in the forthcoming 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 its 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 year :-		
Malaysian income tax	16,815	51,919
Foreign tax	904	3,639
	<u>17,719</u>	<u>55,558</u>
Overprovision in prior years	(447)	(447)
Deferred tax	1,946	2,107
	<u>19,218</u>	<u>57,218</u>

The effective tax rate for the Group for the current year 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 year under review. However there was a sale of property during the year 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>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 December 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 31 Dec 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	4,188

		32,049
		=====
Long term borrowings:-		
Secured	- Term Loan I	20,000
	- Term Loans II	1,199

		21,199
Unsecured	- Term Loan III	18,188
	- Term Loan IV	45,000

		84,387
		=====

- (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) 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. Dividends

The Board of Directors has recommended a final dividend of 16 sen (2008 : 14 sen) less tax of 25% per ordinary share in respect of the financial year ended 31 December 2009, subject to approval by the shareholders at the forthcoming Annual General Meeting. The date of the Annual General Meeting and dividend entitlement date will be announced at a later date.

With the proposed final dividend, the total dividends declared by the Company for the financial year ended 31 December 2009 represented 24 sen (2008 : 22 sen) less tax per ordinary share.

B14. Earnings Per Share

	CURRENT QUARTER		CUMULATIVE QUARTERS	
	1 Oct - 31 Dec		1 Jan - 31 Dec	
	2009	2008	2009	2008
Profit attributable to equity holders of the Company (RM'000)	35,040	28,385	130,419	118,535
Weighted average number of ordinary shares in issue ('000)	198,275	198,275	198,275	198,275
Basic earnings per share (sen)	<u>17.67</u>	<u>14.32</u>	<u>65.78</u>	<u>59.78</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 year.

B15. Currency Translation

The exchange rates used for each unit of the foreign currencies in the Group for the current financial year 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\$)	0.4422	0.4393	0.4363	0.4306
Brunei Darussalam (B\$)	2.4671	2.4246	2.3820	2.3536
Singapore (S\$)	2.4406	2.4113	2.3820	2.3376
Indian Rupee	0.0738	0.0715	-	-

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 February 2010