

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding whilst the principal activities of the 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

	Group RM'000	Company RM'000
Profit attributable to:		
Shareholders of the Company	130,403	73,216
Minority interests	2,394	–
	132,797	73,216

## RESERVES AND PROVISIONS

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

## DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i a final dividend of 14.0 sen per ordinary share less tax at 25% totalling RM20,819,000 (10.5 sen net per ordinary share) in respect of the year ended 31 December 2008 on 28 May 2009; and
- ii an interim dividend of 8.0 sen per ordinary share less tax at 25% totalling RM11,896,000 (6.0 sen net per ordinary share) in respect of the year ended 31 December 2009 on 30 September 2009.

The final dividend recommended by the Directors in respect of the year ended 31 December 2009 is 16.0 sen per ordinary share less tax at 25% totalling RM23,793,000 (12.0 sen net per ordinary share).

## DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

YBhg Tan Sri Dato' Muhammad Ali bin Hashim	(Chairman)
Ahamad bin Mohamad	(Deputy Chairman)
Jamaludin bin Md Ali	(Managing Director/Chief Executive Officer)
Kua Hwee Sim	
Hassim bin Baba	
YBhg Tan Sri Dato' Dr Yahya bin Awang	
YBhg Datuk Ismee bin Ismail	
YBhg Datin Paduka Siti Sa'diah binti Sheikh Bakir	(Appointed on 1 January 2010)

## DIRECTORS' INTERESTS

The interests in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2009	Bought	(Sold)	At 31.12.2009
<b>DIRECT INTEREST</b>				
<b>Company</b>				
Hassim bin Baba	100	-	-	100
<b>Holding company</b>				
<b>QSR Brands Bhd</b>				
Hassim bin Baba	132	-	(100)	32
<b>Number of Warrants</b>				
	At 1.1.2009	Bought	(Sold)	At 31.12.2009
<b>Holding company</b>				
<b>QSR Brands Bhd</b>				
YBhg Tan Sri Dato' Muhammad Ali bin Hashim	63,000	-	-	63,000
Jamaludin bin Md Ali	30,000	-	-	30,000
Hassim bin Baba	32	-	-	32

None of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

## 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) 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 Director has a substantial financial interest.

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

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

## OTHER STATUTORY INFORMATION

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii all current assets have been stated at the lower of cost and net realisable value.

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

- i that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

## **OTHER STATUTORY INFORMATION (contd.)**

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

- i any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## **SIGNIFICANT EVENTS**

Details of the significant events are disclosed in Note 30 to the financial statements.

## **SUBSEQUENT EVENTS**

Details of the subsequent events are disclosed in Note 31 to the financial statements.

## **AUDITORS**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

**TAN SRI DATO' MUHAMMAD ALI BIN HASHIM**  
Chairman

**JAMALUDIN BIN MD ALI**  
Managing Director/Chief Executive Officer

Kuala Lumpur  
Date: 15 March 2010

# NOTES TO THE FINANCIAL STATEMENTS

KFC Holdings (Malaysia) Bhd is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

## **Principal place of business and registered office**

Level 17 Wisma KFC  
No. 17 Jalan Sultan Ismail  
50250 Kuala Lumpur

The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2009 do not include other entities.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

The immediate and intermediate holding companies are QSR Brands Bhd (“QSR”) and Kulim (Malaysia) Berhad, both are public listed companies listed on the Main Board of Bursa Malaysia Securities Berhad and the ultimate holding corporation is Johor Corporation (“JCorp”), a body corporate established under the Johor Corporation Enactment Act 1968 (Enactment No. 4 of 1968) (as amended by Enactment No. 5 of 1995). All companies are incorporated in Malaysia.

The financial statements were approved by the Board of Directors on 15 March 2010.

## **1 BASIS OF PREPARATION**

### **a Statement of compliance**

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009**

- FRS 8, *Operating Segments*

## 1 BASIS OF PREPARATION (contd.)

### a Statement of compliance (contd.)

#### FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards* and FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 132, *Financial Instruments: Presentation* and FRS 101, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*, FRS 7, *Financial Instruments: Disclosures* and IC Interpretation 9, *Reassessment of Embedded Derivatives*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 11, *FRS 2 - Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, *FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

#### FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

# NOTES TO THE FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION (contd.)

### a Statement of compliance (contd.)

The Group and the Company plans to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4 and IC Interpretation 13 which are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010, except for IC Interpretations 12 and 15 which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impact to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

Initial application of a standard, an amendment or an interpretation, which may have material impacts to the financial statements are disclosed below:

### i FRS 8, Operating Segments

FRS 8 replaces FRS 114<sub>2004</sub>, *Segment Reporting* and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (Note 24). The Directors are of the opinion that the segment information disclosed in Note 24 reflects the operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group. Therefore, under FRS 8, the Group will continue to present segment information in respect of its operating segments in a similar manner.

### ii Improvements to FRSs (2009)

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes. Amendments that may have an impact is on FRS 117, *Leases*.

## **1 BASIS OF PREPARATION (contd.)**

### **a Statement of compliance (contd.)**

#### **ii Improvements to FRSs (2009) (contd.)**

The amendments clarify that the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions. This change in accounting policy will result in reclassification of lease of land amounting to RM67,912,000 as at 31 December 2009 from prepaid land lease payments to property, plant and equipment.

### **b Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following assets as explained in their respective accounting policy notes:

- Property, plant and equipment
- Investment properties

### **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 and has been rounded to the nearest thousand, unless otherwise stated.

### **d Use of estimates and judgements**

The preparation of financial statements 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION (contd.)

### d Use of estimates and judgements (contd.)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is 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 other than those disclosed in the following notes:

- Note 4 - measurement of recoverable amounts of cash-generating units
- Note 6 - valuation of investment properties
- Note 14 - recognition of unutilised tax losses and capital allowances
- Note 15 - employee benefits
- Note 28 - contingent liabilities

## 2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

### a Basis of consolidation

#### i Subsidiaries

Subsidiaries are entities controlled by the Group. 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. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investment in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

#### ii Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

## **2 SIGNIFICANT ACCOUNTING POLICIES (contd.)**

### **a Basis of consolidation (contd.)**

#### **iii Minority interests**

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

#### **iv Transactions eliminated on consolidation**

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### **b Foreign currency**

#### **i Foreign currency transactions**

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 balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which 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 the income statements.

#### **ii Operations denominated in functional currencies other than Ringgit Malaysia**

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of operations in functional currencies other than RM are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal of operations, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

### c Property, plant and equipment

#### i Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation 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 bring 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. 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 a willing buyer and a willing seller 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 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

#### **Property, plant and equipment under the revaluation model**

The Group revalues its property comprising land and building every five (5) years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statements.

## 2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

### c Property, plant and equipment (contd.)

#### ii Subsequent costs

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to income statements. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

#### iii Depreciation

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	20 - 50 years
• Leasehold improvements and renovation	10 years
• Plant and machinery	10 years
• Motor vehicles	5 years
• Restaurant and office equipment	5 - 10 years

No depreciation is provided for crockery, cutlery and utensils. Subsequent replacements are written off to income statement as and when incurred.

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

### d Leased assets

#### 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 Group's balance sheet. 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.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid land lease payments, except for leasehold land classified as investment property.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

### d Leased assets (contd.)

#### Operating lease (contd.)

Certain leasehold land were revalued in August 2005 and the Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid land lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117, Leases in 2006.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### e Intangible assets

#### i Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

#### ii Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group are stated at cost less any accumulated amortisation and any accumulated impairment losses.

#### iii Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### iv Amortisation

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired.

The restaurants' initial and renewal franchise fees and territorial franchise fees are stated at cost and are amortised on a straight-line basis over 10 years.

## 2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

### f Investment properties

#### i Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. These include land 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.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statements.

#### ii Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every twelve (12) months.

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, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect 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.

### g Other investment

Other investment is recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition, all current investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

### **h Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

In the case of livestock, cost includes the original cost of bringing the inventories to its present 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 Receivables and deposits**

Receivables and deposits are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables and deposits are stated at cost less allowance for doubtful debts.

Receivables and deposits are not held for the purpose of trading.

### **j Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of pledged deposits.

### **k Impairment of assets**

The carrying amounts of assets except for inventories, deferred tax assets and financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, recoverable amount is estimated at each reporting date.

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. 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 groups of assets (the "cash-generating unit"). 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.

## **2 SIGNIFICANT ACCOUNTING POLICIES (contd.)**

### **k Impairment of assets (contd.)**

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date 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. 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 has been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

### **l Equity instruments**

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

#### **Issue expenses**

Incremental costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

### **m Loans and borrowings**

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

### n 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 provision 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.

The Group's contribution to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### ii Defined benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on 7-year high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by a qualified actuary conducted every two (2) years with the last actuarial report conducted in 2009 using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the income statements on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statements.

The Group recognises all actuarial gains and losses arising from defined benefit plans directly in equity immediately.

#### o Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## 2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

### **o Contingent liabilities (contd.)**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### **p Payables and accruals**

Payables and accruals are measured initially and subsequently at cost. Payables and accruals are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

### **q Revenue recognition**

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, 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.

The following specific recognition criteria must also be met before revenue is recognised.

#### **i Sale of restaurant food and beverages**

Sales revenue represents retail sales at the Group's restaurants and is recognised at the point of sales. The Group recognises sales revenue net of sales tax and service charge.

#### **ii Rental income**

Rental income from investment property is recognised in the income statements on a straight-line 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.

#### **iii Dividend income**

Dividend income is recognised when the right to receive payment is established.

### **r Interest income and borrowing costs**

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

### s Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. 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 (tax 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 balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance is treated as a tax base of asset and is recognised as a reduction of tax expense as and when they are utilised.

### t Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### u Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

### 3 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Leasehold improvements and renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Restaurant and office equipment RM'000	Total RM'000
<b>Cost/Valuation</b>							
At 1 January 2008	173,051	202,068	137,436	141,821	34,071	295,099	983,546
Additions	–	7,427	47,954	30,709	3,557	61,406	151,053
Disposals/Write off	(4,429)	(495)	(12,584)	(179)	(3,894)	(21,787)	(43,368)
Acquisition of a subsidiary	–	776	177	965	319	553	2,790
Effect of movement in exchange rates	–	136	1,528	–	94	1,331	3,089
<b>At 31 December 2008/</b>							
<b>1 January 2009</b>	<b>168,622</b>	<b>209,912</b>	<b>174,511</b>	<b>173,316</b>	<b>34,147</b>	<b>336,602</b>	<b>1,097,110</b>
Additions	4,137	12,527	52,269	25,503	6,382	71,506	172,324
Disposals/Write off	–	(1,618)	(13,062)	(7,130)	(4,124)	(50,655)	(76,589)
Reclassification	–	–	(217)	–	93	124	–
Transfer from related companies	–	–	–	–	106	–	106
Transfer to related companies	–	–	–	–	–	(218)	(218)
Effect of movement in exchange rates	–	122	1,653	–	81	1,224	3,080
<b>At 31 December 2009</b>	<b>172,759</b>	<b>220,943</b>	<b>215,154</b>	<b>191,689</b>	<b>36,685</b>	<b>358,583</b>	<b>1,195,813</b>
<b>Representing:</b>							
At cost	5,757	47,649	215,154	191,689	36,685	358,583	855,517
At valuation	167,002	173,294	–	–	–	–	340,296
<b>At 31 December 2009</b>	<b>172,759</b>	<b>220,943</b>	<b>215,154</b>	<b>191,689</b>	<b>36,685</b>	<b>358,583</b>	<b>1,195,813</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 3 PROPERTY, PLANT AND EQUIPMENT (contd.)

Group	Freehold land RM'000	Buildings RM'000	Leasehold improve- ments and renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Restaurant and office equipment RM'000	Total RM'000
<b>Depreciation and impairment loss</b>							
At 1 January 2008:							
Accumulated depreciation	–	26,209	74,323	88,916	27,187	154,668	371,303
Accumulated impairment losses	58,733	23,852	–	–	–	–	82,585
	58,733	50,061	74,323	88,916	27,187	154,668	453,888
Depreciation for the year	–	4,982	16,252	11,440	2,402	26,655	61,731
Disposals/Write off	–	(416)	(12,315)	(102)	(3,725)	(20,932)	(37,490)
Acquisition of a subsidiary	–	260	147	959	262	500	2,128
Effect of movement in exchange rates	–	5	922	–	46	821	1,794
At 31 December 2008:							
Accumulated depreciation	–	31,430	79,329	101,213	26,172	161,712	399,856
Accumulated impairment losses	58,733	23,462	–	–	–	–	82,195
Balance carried forward	58,733	54,892	79,329	101,213	26,172	161,712	482,051

### 3 PROPERTY, PLANT AND EQUIPMENT (contd.)

Group	Freehold land RM'000	Buildings RM'000	Leasehold improvements and renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Restaurant and office equipment RM'000	Total RM'000
<b>Depreciation and impairment loss</b>							
Balance brought forward	58,733	54,892	79,329	101,213	26,172	161,712	482,051
Depreciation for the year	-	5,210	20,268	13,695	2,701	34,129	76,003
Disposals/Write off	-	(690)	(12,316)	(6,922)	(4,087)	(47,826)	(71,841)
Impairment loss	-	-	1,276	-	-	1,267	2,543
Reclassification	-	-	(18)	-	3	15	-
Transfer from related companies	-	-	-	-	66	-	66
Transfer to related companies	-	-	-	-	-	(94)	(94)
Effect of movement in exchange rates	-	9	961	-	40	746	1,756
<b>At 31 December 2009:</b>							
Accumulated depreciation	-	36,598	88,224	107,986	24,895	148,682	406,385
Accumulated impairment losses	58,733	22,823	1,276	-	-	1,267	84,099
	58,733	59,421	89,500	107,986	24,895	149,949	490,484
<b>Carrying amounts</b>							
At 1 January 2008	114,318	152,007	63,113	52,905	6,884	140,431	529,658
At 31 December 2008/ 1 January 2009	109,889	155,020	95,182	72,103	7,975	174,890	615,059
At 31 December 2009	114,026	161,522	125,654	83,703	11,790	208,634	705,329

# NOTES TO THE FINANCIAL STATEMENTS

## 3 PROPERTY, PLANT AND EQUIPMENT (contd.)

Company	Freehold land RM'000	Buildings RM'000	Leasehold improve- ments and renovation RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
<b>Cost/Valuation</b>						
At 1 January 2008	14,697	2,260	374	3,205	4,588	25,124
Additions	-	-	234	-	514	748
Disposals/Write off	(50)	-	-	(755)	-	(805)
<b>At 31 December 2008/ 1 January 2009</b>	<b>14,647</b>	<b>2,260</b>	<b>608</b>	<b>2,450</b>	<b>5,102</b>	<b>25,067</b>
Additions	-	-	-	1,648	2,329	3,977
Transfer from related company	-	-	-	42	-	42
Transfer to related company	-	-	-	(96)	-	(96)
Disposals/Write off	-	-	(50)	(1,174)	(2,792)	(4,016)
<b>At 31 December 2009</b>	<b>14,647</b>	<b>2,260</b>	<b>558</b>	<b>2,870</b>	<b>4,639</b>	<b>24,974</b>
<b>Representing:</b>						
At cost	1,620	1,020	558	2,870	4,639	10,707
At valuation	13,027	1,240	-	-	-	14,267
<b>At 31 December 2009</b>	<b>14,647</b>	<b>2,260</b>	<b>558</b>	<b>2,870</b>	<b>4,639</b>	<b>24,974</b>
<b>Depreciation</b>						
At 1 January 2008	-	108	123	2,533	2,452	5,216
Depreciation for the year	-	52	56	176	507	791
Disposals/Write off	-	-	-	(690)	-	(690)
<b>At 31 December 2008/ 1 January 2009</b>	<b>-</b>	<b>160</b>	<b>179</b>	<b>2,019</b>	<b>2,959</b>	<b>5,317</b>
Depreciation for the year	-	52	56	246	775	1,129
Transfer from related company	-	-	-	24	-	24
Transfer to related company	-	-	-	(96)	-	(96)
Disposals/Write off	-	-	(50)	(1,174)	(2,523)	(3,747)
<b>At 31 December 2009</b>	<b>-</b>	<b>212</b>	<b>185</b>	<b>1,019</b>	<b>1,211</b>	<b>2,627</b>

### 3 PROPERTY, PLANT AND EQUIPMENT (contd.)

Company	Freehold land RM'000	Buildings RM'000	Leasehold improvements and renovation RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
<b>Carrying amounts</b>						
At 1 January 2008	14,697	2,152	251	672	2,136	19,908
<b>At 31 December 2008/ 1 January 2009</b>	<b>14,647</b>	<b>2,100</b>	<b>429</b>	<b>431</b>	<b>2,143</b>	<b>19,750</b>
<b>At 31 December 2009</b>	<b>14,647</b>	<b>2,048</b>	<b>373</b>	<b>1,851</b>	<b>3,428</b>	<b>22,347</b>

#### 3.1 Impairment loss

The Group recognised an impairment loss of RM2,543,000 (2008 : Nil) with respect to leasehold improvement and restaurant and office equipment of certain Rasamas restaurants that were intended to close down.

Impairment loss has been recognised in other expenses.

#### 3.2 Security

At 31 December 2009, properties with a carrying amount of RM54,888,000 (2008 : RM109,837,000) are pledged as securities for term loans (Note 13).

#### 3.3 Property, plant and equipment under the revaluation model

The Group's freehold land and buildings including the buildings on leasehold land were revalued on 24 August 2005 by independent professional qualified valuers using open market value method. Had the freehold land and buildings been carried under the cost model, their carrying amounts would have been included in the financial statements of the Group as at 31 December 2009 as follows:

Group	Cost RM'000	Accumulated depreciation RM'000	Net carrying amount RM'000
<b>At 31 December 2009</b>			
Freehold land	147,741	–	147,741
Buildings	189,650	41,573	148,077
	<b>337,391</b>	<b>41,573</b>	<b>295,818</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 3 PROPERTY, PLANT AND EQUIPMENT (contd.)

### 3.3 Property, plant and equipment under the revaluation model (contd.)

Group	Cost RM'000	Accumulated depreciation RM'000	Net carrying amount RM'000
<b>At 31 December 2008</b>			
Freehold land	147,741	–	147,741
Buildings	191,435	38,290	153,145
	<b>339,176</b>	<b>38,290</b>	<b>300,886</b>
<b>Company</b>			
<b>At 31 December 2009</b>			
Freehold land	<b>9,863</b>	–	<b>9,863</b>
Buildings	<b>1,152</b>	<b>315</b>	<b>837</b>
	<b>11,015</b>	<b>315</b>	<b>10,700</b>
<b>At 31 December 2008</b>			
Freehold land	9,863	–	9,863
Buildings	1,152	292	860
	<b>11,015</b>	<b>292</b>	<b>10,723</b>

### 3.4 Title deeds

The titles of certain properties are either in process of being transferred to the Group and the Company or are pending the issuance of strata titles by the relevant authorities.

#### 4 INTANGIBLE ASSETS

Group	Goodwill on consolidation RM'000	Franchise fees RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2008	44,328	45,117	89,445
Additions	637	5,552	6,189
Write off	–	(478)	(478)
<b>At 31 December 2008/1 January 2009</b>	<b>44,965</b>	<b>50,191</b>	<b>95,156</b>
Additions	–	5,340	5,340
Write off	–	(6,749)	(6,749)
<b>At 31 December 2009</b>	<b>44,965</b>	<b>48,782</b>	<b>93,747</b>
<b>Accumulated amortisation</b>			
At 1 January 2008	1,566	19,816	21,382
Amortisation for the year	–	4,417	4,417
Write off	–	(478)	(478)
<b>At 31 December 2008/1 January 2009</b>	<b>1,566</b>	<b>23,755</b>	<b>25,321</b>
Amortisation for the year	–	6,501	6,501
Write off	–	(6,749)	(6,749)
<b>At 31 December 2009</b>	<b>1,566</b>	<b>23,507</b>	<b>25,073</b>
<b>Carrying amounts</b>			
At 1 January 2008	42,762	25,301	68,063
<b>At 31 December 2008/1 January 2009</b>	<b>43,399</b>	<b>26,436</b>	<b>69,835</b>
<b>At 31 December 2009</b>	<b>43,399</b>	<b>25,275</b>	<b>68,674</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 4 INTANGIBLE ASSETS (contd.)

### Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

<b>Group</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Restaurants	<b>21,355</b>	21,355
Integrated poultry	<b>20,297</b>	20,297
Ancillary	<b>1,747</b>	1,747
	<b>43,399</b>	43,399

The recoverable amounts of the CGUs were based on value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by management covering a ten-year period. Cash flows beyond the ten-year period are extrapolated using the growth rate of 4% (2008 : 4%). The growth rate does not exceed the average historical growth rate over the long term for the industry.

Value in use was determined by discounting the future cash flows generated from the continuing use of the units and was based on the following assumptions:

- There will be no material changes in the structure and principal activities of the Group.
- Raw material price inflation - there will not be any significant increase in the prices and supply of raw materials, wages and other related costs, resulting from industrial dispute, adverse changes in the economic conditions or other abnormal factors, which will adversely affect the operations of the Group.
- Statutory income tax rate - the tax rate for Malaysia is 25% for year 2010 and Singapore's tax rate at 17%. There will be no material changes in the present legislation or regulations, rates and bases of duties, levies and other taxes affecting the Group's activities.
- Interest rates - the interest rates on the existing financing facilities will prevail.
- Foreign exchange rate - the foreign exchange rate will not be substantially and adversely different from the current rate.

## 5 PREPAID LAND LEASE PAYMENTS

Group	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
<b>Cost/Valuation</b>			
At 1 January 2008	75	65,452	65,527
Acquisition through business combination	910	-	910
<b>At 31 December 2008/1 January 2009</b>	<b>985</b>	<b>65,452</b>	<b>66,437</b>
Additions	-	5,722	5,722
Disposals	-	(871)	(871)
<b>At 31 December 2009</b>	<b>985</b>	<b>70,303</b>	<b>71,288</b>
<b>Amortisation</b>			
At 1 January 2008	4	1,582	1,586
Amortisation for the year	18	804	822
Acquisition through business combination	188	-	188
<b>At 31 December 2008/1 January 2009</b>	<b>210</b>	<b>2,386</b>	<b>2,596</b>
Amortisation for the year	19	806	825
Disposals	-	(45)	(45)
<b>At 31 December 2009</b>	<b>229</b>	<b>3,147</b>	<b>3,376</b>
<b>Carrying amounts</b>			
At 1 January 2008	71	63,870	63,941
<b>At 31 December 2008/1 January 2009</b>	<b>775</b>	<b>63,066</b>	<b>63,841</b>
<b>At 31 December 2009</b>	<b>756</b>	<b>67,156</b>	<b>67,912</b>

### Security

At 31 December 2009, properties with a carrying amount of RM8,456,000 (2008 : RM30,434,000) are pledged as securities for term loans (Note 13).

# NOTES TO THE FINANCIAL STATEMENTS

## 6 INVESTMENT PROPERTIES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January	898	2,000	-	585
Addition	-	898	-	-
Disposal	-	(2,000)	-	-
Transfer to a subsidiary	-	-	-	(585)
At 31 December	898	898	-	-
Included in the above are:				
Leasehold land with unexpired lease period of more than 50 years	692	692	-	-
Buildings	206	206	-	-
	898	898	-	-

The rental income earned by the Group for the year ended 31 December 2009 from its investment properties, all of which are leased out under operating leases, amounted to RM66,000 (2008 : RM51,000). There were no direct operating expenses (including repair and maintenance) arising from investment properties.

## 7 INVESTMENTS IN SUBSIDIARIES

	Company	
	2009 RM'000	2008 RM'000
At cost:		
Unquoted shares	419,605	418,305
Less: Accumulated impairment losses	(64,055)	(64,055)
	355,550	354,250

## 7 INVESTMENTS IN SUBSIDIARIES (contd.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2009 %	2008 %
<b>Held by the Company:</b>				
Ayamas Food Corporation Sdn Bhd	Malaysia	Poultry processing and further processing plants Investment holding	100.0	100.0
Ayamas Integrated Poultry Industry Sdn Bhd	Malaysia	Breeder and broiler farms Hatchery Feedmill Investment holding	100.0	100.0
Bakers' Street Sdn Bhd	Malaysia	Restaurants	100.0	100.0
Integrated Poultry Industry Sdn Bhd	Malaysia	Poultry processing plant	100.0	100.0
KFC Events Sdn Bhd	Malaysia	Sales of food products vouchers	100.0	100.0
KFC India Holdings Sdn Bhd (formerly known as Orient Palm Sdn Bhd)	Malaysia	Investment holding	100.0	–
KFC Manufacturing Sdn Bhd	Malaysia	Bakery Trading in consumables Investment holding	100.0	100.0
KFC Restaurants Holdings Sdn Bhd	Malaysia	Investment holding	100.0	100.0
Region Food Industries Sdn Bhd	Malaysia	Sauce manufacturing plant	100.0	100.0
Restoran Keluarga Sdn Bhd	Malaysia	Restaurants	100.0	100.0
Roaster's Chicken Sdn Bhd	Malaysia	Investment holding	100.0	100.0

# NOTES TO THE FINANCIAL STATEMENTS

## 7 INVESTMENTS IN SUBSIDIARIES (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2009 %	2008 %
<b>Held by the Company (contd.):</b>				
Signature Chef Dining Services Sdn Bhd	Malaysia	Restaurants	100.0	100.0
Signature Chef Foodservice & Catering Sdn Bhd	Malaysia	Restaurants	100.0	100.0
WP Properties Holdings Sdn Bhd	Malaysia	Investment holding	100.0	100.0
Tepak Marketing Sdn Bhd	Malaysia	Contract packing	55.0	55.0
Cilik Bistari Sdn Bhd (formerly known as Roda Kapital Sdn Bhd)	Malaysia	Dormant	100.0	–
Rangeview Sdn Bhd	Malaysia	Dormant	100.0	100.0
Hiei Food Industries Sdn Bhd	Malaysia	Dormant	81.0	81.0
<b>Held through subsidiaries:</b>				
Ayamazz Sdn Bhd (formerly known as Rasa Gourmet Sdn Bhd)	Malaysia	Push-cart selling food and refreshment	100.0	100.0
Kedai Ayamas Sdn Bhd	Malaysia	Poultry retail and convenience food store chain Investment holding	100.0	100.0
Kentucky Fried Chicken (Malaysia) Sendirian Berhad	Malaysia	Restaurants	100.0	100.0

## 7 INVESTMENTS IN SUBSIDIARIES (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2009 %	2008 %
<b>Held through subsidiaries (contd.):</b>				
KFC (East Malaysia) Sdn Bhd	Malaysia	Investment holding	100.0	100.0
KFC (Peninsular Malaysia) Sdn Bhd	Malaysia	Restaurants Commissary Investment holding	100.0	100.0
KFC (Sarawak) Sdn Bhd	Malaysia	Restaurants	100.0	100.0
KFC Marketing Sdn Bhd	Malaysia	Sales and marketing of food products	100.0	100.0
Ladang Ternakan Putihekar (N.S.) Sdn Bhd	Malaysia	Breeder farm	100.0	100.0
MH Integrated Farm Berhad	Malaysia	Property holding	100.0	100.0
Pintas Tiara Sdn Bhd	Malaysia	Property holding	100.0	100.0
Rasamas Holdings Sdn Bhd	Malaysia	Restaurants	100.0	100.0
Rasamas Bangi Sdn Bhd	Malaysia	Restaurant	100.0	100.0
Rasamas Batu Caves Sdn Bhd	Malaysia	Restaurant	100.0	100.0
Restoran Sabang Sdn Bhd	Malaysia	Restaurant	100.0	100.0
Seattle's Best Coffee Sdn Bhd	Malaysia	Restaurants	100.0	100.0
SPM Restaurants Sdn Bhd	Malaysia	Meals on Wheels Property holding	100.0	100.0
Ayamas Farms & Hatchery Sdn Bhd	Malaysia	Broiler farm	90.0	100.0

# NOTES TO THE FINANCIAL STATEMENTS

## 7 INVESTMENTS IN SUBSIDIARIES (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2009 %	2008 %
<b>Held through subsidiaries (contd.):</b>				
KFC (Sabah) Sdn Bhd	Malaysia	Restaurants	90.0	90.0
Rasamas Butterworth Sdn Bhd (formerly known as Heritage Revenue Sdn Bhd)	Malaysia	Restaurant	90.0	–
Rasamas Subang Sdn Bhd (formerly known as Supreme Delight Sdn Bhd)	Malaysia	Restaurant	90.0	–
Rasamas Wangsa Maju Sdn Bhd (formerly known as Sensasi Laman Sdn Bhd)	Malaysia	Restaurant	90.0	–
Rasamas Tebrau Sdn Bhd	Malaysia	Restaurant	89.2	100.0
Rasamas Taman Universiti Sdn Bhd	Malaysia	Restaurant	89.1	100.0
Rasamas Larkin Sdn Bhd	Malaysia	Restaurant	88.8	100.0
Ayamas Feedmill Sdn Bhd	Malaysia	Broiler farm	85.0	100.0
Semangat Juara Sdn Bhd	Malaysia	Broiler farm	75.0	100.0
Kentucky Fried Chicken Management Pte Ltd*	Singapore	Restaurants	100.0	100.0
Mauritius Food Corporation Pvt Ltd*	Mauritius	Investment holding	100.0	–
Mumbai Chicken Pvt Ltd*	India	Restaurants	100.0	–
Pune Chicken Restaurants Pvt Ltd*	India	Restaurants	100.0	–

## 7 INVESTMENTS IN SUBSIDIARIES (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2009 %	2008 %
<b>Held through subsidiaries (contd.):</b>				
WQSR Holdings (S) Pte Ltd*	Singapore	Investment holding	100.0	100.0
KFC (B) Sdn Bhd*	Brunei Darussalam	Restaurants	45.9	45.9
Rasamas Sdn Bhd*	Brunei Darussalam	Restaurants	45.9	45.9
Asbury's (Malaysia) Sdn Bhd	Malaysia	Dormant	100.0	100.0
Ayamas Contract Farming Sdn Bhd	Malaysia	Dormant	100.0	100.0
Ayamas Franchise Sdn Bhd	Malaysia	Dormant	100.0	100.0
Ayamas Marketing (M) Sdn Bhd	Malaysia	Dormant	100.0	100.0
Ayamas Selatan Sdn Bhd	Malaysia	Dormant	100.0	100.0
Chippendales (M) Sdn Bhd	Malaysia	Dormant	100.0	100.0
Rasamas BC Sdn Bhd (formerly known as Natural Equity Sdn Bhd)	Malaysia	Dormant	100.0	–
Rasamas Bukit Tinggi Sdn Bhd (formerly known as Premier Option Sdn Bhd)	Malaysia	Dormant	100.0	–
Rasamas Endah Parade Sdn Bhd (formerly known as Bima Permata Sdn Bhd)	Malaysia	Dormant	100.0	–

# NOTES TO THE FINANCIAL STATEMENTS

## 7 INVESTMENTS IN SUBSIDIARIES (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2009 %	2008 %
<b>Held through subsidiaries (contd.):</b>				
Rasamas Kota Bharu Sdn Bhd (formerly known as Dominion Brand Sdn Bhd)	Malaysia	Dormant	100.0	–
Rasamas Melaka Sdn Bhd (formerly known as Prisma Circle Sdn Bhd)	Malaysia	Dormant	100.0	–
Rasamas Mergong Sdn Bhd (formerly known as Smart Revenue Sdn Bhd)	Malaysia	Dormant	100.0	–
Rasamas Nilai Sdn Bhd (formerly known as Midland Brand Sdn Bhd)	Malaysia	Dormant	100.0	–
Rasamas Terminal Larkin Sdn Bhd (formerly known as Bold Ocean Sdn Bhd)	Malaysia	Dormant	100.0	–
Usahawan Bistari Ayamas Sdn Bhd (formerly known as Universal Bonus Sdn Bhd)	Malaysia	Dormant	100.0	–
Wangsa Progresi Sdn Bhd	Malaysia	Dormant	100.0	100.0
Yes Gelato Sdn Bhd	Malaysia	Dormant	80.0	80.0
Ayamas Food Corporation (S) Pte Ltd*	Singapore	Dormant	100.0	100.0
Helix Investments Limited	Hong Kong	Dormant	100.0	100.0

\* Audited by other member firms of KPMG International

## 8 OTHER INVESTMENT

	Group	
	2009 RM'000	2008 RM'000
<b>Non-current</b>		
At cost:		
Unquoted shares	4,500	4,500
Less: Allowance for diminution in value	(4,500)	(4,500)
	-	-
<b>Current</b>		
Investment in Amanahraya unit trust	-	20,203
Market value of unit trust	-	20,354

## 9 INVENTORIES

	Group	
	2009 RM'000	2008 RM'000
<b>At cost:</b>		
Raw materials	37,264	31,097
Groceries, poultry and consumables	54,690	66,747
Equipment and spare parts	17,097	15,455
Advertising materials	3,307	3,459
Livestock	10,803	9,345
Finished goods	49,178	32,371
	172,339	158,474

# NOTES TO THE FINANCIAL STATEMENTS

## 10 RECEIVABLES AND DEPOSITS

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Trade</b>					
Trade receivables		51,903	49,008	-	-
Less: Allowance for doubtful debts		(1,639)	(1,375)	-	-
		<b>50,264</b>	47,633	-	-
<b>Non-trade</b>					
Amount due from subsidiaries	10.1	-	-	238,803	214,511
Amount due from related companies	10.1	14,979	8,440	-	-
Other receivables	10.2	11,062	14,420	1,685	1,007
Deposits	10.3	62,576	48,480	5,938	5,283
Current tax assets		12,988	9,139	1,544	1,941
		<b>101,605</b>	80,479	<b>247,970</b>	222,742
		<b>151,869</b>	128,112	<b>247,970</b>	222,742

### 10.1 Amounts due from subsidiaries and related companies

The non-trade receivables due from subsidiaries and related companies are unsecured, interest bearing and are repayable on demand.

### 10.2 Other receivables

Included in the other receivables of the Group is a lease consideration paid to a related company amounting to RM875,000 (2008 : RM875,000) for the lease of a vacant land at Terminal Larkin Sentral, Johor Bahru for a term of 15 years expiring on 16 March 2023.

### 10.3 Deposits

Included in the deposits of the Group and of the Company is a deposit paid to a related company amounting to RM5,228,000 (2008 : RM5,228,000) for purchase of a leasehold industrial land at Bandar Tenggara, Kulai, Johor Darul Takzim.

Included in the deposits of the Group are:

- i Deposits paid to a related company amounting to RM2,269,000 (2008 : RM2,673,000) for the purchase of a freehold land at Parcel 9, Mukim of Tebrau, District of Johor Bahru; and
- ii Deposits paid to the ultimate holding corporation amounting to RM9,360,000 (2008 : RM1,040,000) for the purchase of a 99 years leasehold land at Mukim Bukit Batu, District of Kulaijaya, Johor.

## 11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits placed with licensed banks	83,083	41,643	–	3,667
Cash and bank balances	40,366	56,342	365	3,130
	<b>123,449</b>	<b>97,985</b>	<b>365</b>	<b>6,797</b>

### Deposits placed with licensed banks pledged for a bank facility

There were no deposits placed with licensed banks of the Group (2008 : RM4,019,000) and of the Company (2008 : RM3,667,000) which were pledged for bank guarantees and term loan facilities granted to subsidiaries (Note 13).

## 12 SHARE CAPITAL AND RESERVES

### 12.1 Share capital

	Group		Company	
	Amount 2009 RM'000	Number of shares 2009 '000	Amount 2008 RM'000	Number of shares 2008 '000
<b>Authorised:</b>				
Ordinary shares of RM1 each	1,000,000	1,000,000	1,000,000	1,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of RM1 each	198,275	198,275	198,275	198,275

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.

### 12.2 Reserves

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Non-distributable</b>				
Share premium	18,736	18,736	18,721	18,721
Exchange fluctuation reserve	2,072	1,128	–	–
Asset revaluation reserve	25,169	27,841	3,352	3,359
	<b>45,977</b>	<b>47,705</b>	<b>22,073</b>	<b>22,080</b>
<b>Distributable</b>				
Retained earnings	547,505	446,178	357,216	316,703
	<b>593,482</b>	<b>493,883</b>	<b>379,289</b>	<b>338,783</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 12 SHARE CAPITAL AND RESERVES (contd.)

### 12.2 Reserves (contd.)

The movement in each category of the reserves are disclosed in the statements of changes in equity.

The nature and purpose of each category of reserves are as follows:

#### **a Share premium**

This reserve comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

#### **b Exchange fluctuation reserve**

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, regardless of the currency of the monetary items.

#### **c Asset revaluation reserve**

The asset revaluation reserve relates to the revaluation of the Group's land and buildings on 24 August 2005.

#### **d Section 108 tax credit**

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt income to frank approximately RM316,145,000 of its distributable reserves at 31 December 2009 if paid out as taxable dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 31 December 2009 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 13 LOANS AND BORROWINGS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Current</b>				
Term loans - secured	20,586	26,660	20,000	20,000
- unsecured	7,275	48,451	-	-
Bankers' acceptance - unsecured	4,188	-	-	-
	<b>32,049</b>	75,111	<b>20,000</b>	20,000
<b>Non-current</b>				
Term loans - secured	21,199	41,786	20,000	40,000
- unsecured	63,188	24,158	-	-
	<b>84,387</b>	65,944	<b>20,000</b>	40,000
	<b>116,436</b>	141,055	<b>40,000</b>	60,000

### 13.1 Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
<b>2009</b>						
Term loans						
- secured	2011	40,370	20,217	20,153	-	-
- secured	2013	1,415	369	369	677	-
- unsecured	2013	25,463	7,275	7,275	10,913	-
- unsecured	2014	45,000	-	-	-	45,000
Bankers' acceptance						
- unsecured	2010	4,188	4,188	-	-	-
		<b>116,436</b>	<b>32,049</b>	<b>27,797</b>	<b>11,590</b>	<b>45,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 13 LOANS AND BORROWINGS (contd.)

### 13.1 Terms and debt repayment schedule (contd.)

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
<b>2008</b>						
Term loans						
- secured	2009	6,074	6,074	-	-	-
- secured	2011	60,587	20,217	20,217	20,153	-
- secured	2013	1,785	369	369	739	308
- unsecured	2009	45,000	45,000	-	-	-
- unsecured	2013	27,609	3,451	6,902	13,805	3,451
		141,055	75,111	27,488	34,697	3,759
<b>Company</b>						
<b>2009</b>						
Term loans						
- secured	2011	40,000	20,000	20,000	-	-
<b>2008</b>						
Term loans						
- secured	2011	60,000	20,000	20,000	20,000	-

### 13.2 Security

The term loans granted to the Group and the Company are secured by the following:

- First and third party charges over certain land and buildings (Notes 3 and 5);
- Corporate guarantee of the Company and a related company; and
- Debenture of a subsidiary's assets.

## 14 DEFERRED TAX LIABILITIES

### Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Deferred tax liabilities</b>						
Property, plant and equipment	-	-	30,200	27,234	30,200	27,234
Revaluation of land and buildings	-	-	6,147	7,910	6,147	7,910
Employee benefit plans	(890)	(984)	-	-	(890)	(984)
Allowance for doubtful debts	(210)	-	-	-	(210)	-
Tax losses carry-forward	(2,307)	(2,558)	-	-	(2,307)	(2,558)
<b>Tax (assets)/liabilities</b>	<b>(3,407)</b>	<b>(3,542)</b>	<b>36,347</b>	<b>35,144</b>	<b>32,940</b>	<b>31,602</b>
<b>Company</b>						
Property, plant and equipment	-	-	394	39	394	39
Revaluation of land and buildings	-	-	63	68	63	68
<b>Tax liabilities</b>	<b>-</b>	<b>-</b>	<b>457</b>	<b>107</b>	<b>457</b>	<b>107</b>

In recognising the deferred tax assets attributable to unutilised tax losses carry-forward and unutilised capital allowances carry-forward (included in deductible temporary differences of property, plant and equipment), the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised tax losses carry-forward and unutilised capital allowances carry-forward amounting to approximately RM1,136,000 (2008: RM4,110,000) and RM8,093,000 (2008: RM6,122,000) respectively will not be available to the Group, resulting in an increase in net deferred tax liabilities of RM2,307,000 (2008: RM2,558,000).

# NOTES TO THE FINANCIAL STATEMENTS

## 14 DEFERRED TAX LIABILITIES (contd.)

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2009 RM'000	2008 RM'000
Tax losses carry-forward	16,007	13,185
Unutilised capital allowances carry-forward	14,213	31,578
Unutilised reinvestment allowances	12,685	17,987
Property, plant and equipment	1,535	–
Provisions	1,625	–
	<b>46,065</b>	<b>62,750</b>
At 25%	<b>11,516</b>	<b>15,687</b>

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%). If there is substantial change in shareholders, unutilised tax losses and unutilised capital allowances carry-forward amounting to RM16,007,000 (2008: RM13,185,000) and RM14,213,000 (2008: RM31,578,000), respectively will not be available to the Group. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the companies within the Group can utilise the benefits there from.

### Movement in temporary differences during the year

Group	At 1.1.2008 RM'000	Recognised in income statement (Note 21) RM'000	Recognised in equity (Note 21) RM'000	At 31.12.2008 RM'000	Recognised in income statement (Note 21) RM'000	Recognised in equity (Note 21) RM'000	At 31.12.2009 RM'000
	Property, plant and equipment	20,039	7,195	–	27,234	2,966	–
Revaluation of land and buildings	8,693	(467)	(316)	7,910	(796)	(967)	6,147
Employee benefit plans	(977)	(7)	–	(984)	94	–	(890)
Allowance for doubtful debts	(161)	161	–	–	(210)	–	(210)
Tax losses carry-forward	(2,558)	–	–	(2,558)	251	–	(2,307)
	<b>25,036</b>	<b>6,882</b>	<b>(316)</b>	<b>31,602</b>	<b>2,305</b>	<b>(967)</b>	<b>32,940</b>

## 14 DEFERRED TAX LIABILITIES (contd.)

### Movement in temporary differences during the year (contd.)

Company	At 1.1.2008 RM'000	Recognised in income statement (Note 21) RM'000	Recognised in equity (Note 21) RM'000	At 31.12.2008 RM'000	Recognised in income statement (Note 21) RM'000	Recognised in equity (Note 21) RM'000	At 31.12.2009 RM'000
Property, plant and equipment	373	(334)	–	39	<b>355</b>	–	<b>394</b>
Revaluation of land and buildings	71	–	(3)	68	–	(5)	<b>63</b>
	444	(334)	(3)	107	<b>355</b>	(5)	<b>457</b>

## 15 EMPLOYEE BENEFITS

### Retirement benefits

	Group	
	2009 RM'000	2008 RM'000
Present value of unfunded obligations		
- current	<b>401</b>	623
- non-current	<b>3,099</b>	3,313
	<b>3,500</b>	3,936

Certain subsidiaries operate an unfunded, defined Retirement Benefit Scheme (“the Scheme”) for its eligible employees. Under the Scheme, eligible employees are entitled to retirement benefits calculated by reference to their length of service and earnings. Provision for retirement benefits is calculated based on the predetermined rate of basic salaries and length of service.

# NOTES TO THE FINANCIAL STATEMENTS

## 15 EMPLOYEE BENEFITS (contd.)

### Movement in the present value of the defined benefit obligations

	Group	
	2009	2008
	RM'000	RM'000
Defined benefit obligations at 1 January	3,936	3,758
Current service costs and interest (see below)	208	178
Benefits paid by the plan	(644)	–
Defined benefit obligations at 31 December	3,500	3,936

### Expense recognised in the income statements

Current service costs	147	77
Over provision in prior year	(138)	–
Interest on obligation	199	101
	208	178

The expense is recognised in administrative expenses.

### Actuarial assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	Group	
	2009	2008
Discount rate at 31 December	5.6%	6.0%
Future salary increases	4.0%	4.0%

## 16 PAYABLES AND ACCRUALS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Trade</b>				
Trade payables	145,274	125,641	-	-
<b>Non-trade</b>				
Other payables	64,997	51,431	858	772
Accrued expenses	94,656	84,383	7,353	5,602
Duties and other taxes payables	16,260	13,969	-	-
	175,913	149,783	8,211	6,374
	321,187	275,424	8,211	6,374

## 17 REVENUE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Sales of goods	2,297,431	2,179,788	-	-
Gross dividends from subsidiaries	-	-	77,365	97,220
	2,297,431	2,179,788	77,365	97,220

## 18 FINANCE COSTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest payable				
- loans, bankers' acceptances and others	5,174	7,091	1,805	2,887
- related company	265	468	-	-
	5,439	7,559	1,805	2,887

# NOTES TO THE FINANCIAL STATEMENTS

## 19 PROFIT BEFORE TAX

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Profit before tax is arrived at after charging:</b>				
Allowance for doubtful debts	264	755	-	-
Amortisation of franchise fees	6,501	4,417	-	-
Amortisation of prepaid land lease payments	825	822	-	-
Auditors' remuneration:				
- Statutory audit				
- KPMG Malaysia	303	-	35	-
- KPMG Affiliates	196	-	-	-
- Other auditors				
- Current year	-	478	-	35
- Underprovision in prior year	1	15	-	-
- Other services				
- KPMG Malaysia	6	-	6	-
- Other auditors	-	209	-	19
Depreciation of property, plant and equipment	76,003	61,731	1,129	791
Impairment loss on:				
- unquoted investment	-	4,500	-	-
- investments in subsidiaries	-	-	-	2,310
- property, plant and equipment	2,543	-	-	-
Loss on disposal of property, plant and equipment	2,268	-	-	-
Rental of land and buildings				
- related company	-	24	-	-
- others	131,644	120,926	3,085	3,215
Staff costs (including key management personnel)				
- Contributions to Employees' Provident Fund	30,069	27,794	1,624	1,391
- Other employee benefits	111,916	113,808	4,935	3,862
- Retirement benefits	208	178	-	-
- Fees	414	366	333	287
- Salaries and wages	225,295	211,736	10,349	9,358
<b>and after crediting:</b>				
Franchise fees income	284	256	-	-
Gain on disposal of property, plant and equipment	-	472	149	148
Gain on disposal of prepaid land lease payments	131	-	-	-
Gain on disposal of other investment	247	203	-	-
Interest receivable				
- deposits with licensed banks	406	1,795	40	316
- subsidiaries	-	-	3,670	1,727
- others	5	-	-	-
Rental income				
- subsidiary	-	-	-	15
- related company	811	796	-	-
- others	1,581	2,335	1,026	1,988

## 20 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors:				
Fees	414	366	333	287
Remuneration	1,203	878	1,198	873
Benefits-in-kind	295	185	295	185
Total Directors' remuneration	1,912	1,429	1,826	1,345
Other key management personnel:				
Short-term employee benefits	2,825	2,147	2,049	1,497
Total short-term employee benefits	4,737	3,576	3,875	2,842

Other key management personnel comprises persons other than the Directors of the Group, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

## 21 TAX EXPENSE

### Recognised in the income statements

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Major components of tax expense include:				
<b>Current tax expense</b>				
Malaysian - current year	51,919	46,933	4,700	10,479
- prior year	(495)	(9,138)	(386)	(622)
Overseas - current year	3,445	2,568	-	-
- prior year	44	(138)	-	-
Total current tax	54,913	40,225	4,314	9,857
<b>Deferred tax expense</b>				
Origination of temporary differences	8,705	7,429	164	92
Effect of changes in tax rate	-	(633)	-	2
(Over)/Underprovided in prior years	(6,400)	86	191	(429)
Total deferred tax	2,305	6,882	355	(335)
Total tax expense	57,218	47,107	4,669	9,522

# NOTES TO THE FINANCIAL STATEMENTS

## 21 TAX EXPENSE (contd.)

### Recognised in the income statements (contd.)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit before tax	<b>190,015</b>	167,457	<b>77,885</b>	93,476
Tax at Malaysian tax rate of 25% (2008: 26%)	<b>47,504</b>	43,539	<b>19,471</b>	24,304
Effect of tax rates in foreign jurisdictions**	<b>(1,639)</b>	(1,042)	-	-
Effect of changes in tax rates***	-	(633)	-	2
Deferred tax recognised at different tax rate***	-	(170)	-	(3)
Effect of lower tax rate for certain subsidiaries*	-	(89)	-	-
Tax exempt income	<b>(119)</b>	(160)	<b>(15,536)</b>	(15,730)
Non-deductible expenses	<b>14,853</b>	16,249	<b>929</b>	2,000
Utilisation of previously unrecognised tax losses, unabsorbed capital allowances and unutilised reinvestment allowances	<b>(701)</b>	(2,571)	-	-
Recognition of previously unrecognised tax losses and capital allowances	-	(121)	-	-
Change in unrecognised temporary differences	<b>4,171</b>	1,295	-	-
	<b>64,069</b>	56,297	<b>4,864</b>	10,573
Overprovided in prior years	<b>(6,851)</b>	(9,190)	<b>(195)</b>	(1,051)
	<b>57,218</b>	47,107	<b>4,669</b>	9,522

\* The subsidiaries of the Group ceased to be small and medium enterprise as defined in the Income Tax Act 1967 for the current assessment year and is therefore subject to corporate tax at 25% on its chargeable income. In prior year, the tax rate for certain subsidiaries was 20% on the first RM500,000 and 26% on the remaining chargeable income.

\*\* Tax rates in several foreign jurisdictions decreased in 2009.

\*\*\* The corporate tax rates are 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

### Tax recognised directly in equity

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revaluation of property, plant and equipment	<b>967</b>	316	<b>5</b>	3

## 22 EARNINGS PER ORDINARY SHARE

### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2009 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2009	2008
Profit for the year attributable to shareholders (RM'000)	130,403	118,535
Weighted average number of ordinary shares in issue ('000)	198,275	198,275
Basic earnings per share (sen)	65.8	59.8

## 23 DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
<b>2009</b>			
Interim 2009 ordinary	6.0	11,896	30 September 2009
Final 2008 ordinary	10.5	20,819	28 May 2009
Total amount		32,715	
<b>2008</b>			
Interim 2008 ordinary	5.9	11,738	8 October 2008
Final 2007 ordinary	8.9	17,607	28 May 2008
Total amount		29,345	

After the balance sheet date, the Directors proposed a final dividend of 16.0 sen per ordinary share less tax at 25% totalling RM23,793,000 (12.0 sen net per ordinary share). This dividend will be recognised in subsequent financial reports upon approval by the shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

## 24 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

Inter-segment pricing is determined on negotiated terms.

### **Business segments**

The Group comprises the following main business segments:

- Restaurants
- Integrated Poultry
- Ancillary

### **Geographical segments**

The Group's geographical segments can be categorised under Malaysia and foreign. Foreign comprises Singapore, Brunei Darussalam and India.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

## 24 SEGMENT REPORTING (contd.)

	Restaurants		Integrated Poultry#		Ancillary		Eliminations		Consolidated	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Business segments</b>										
Total external revenue	1,723,677	1,628,876	484,132	445,018	89,622	105,894	-	-	2,297,431	2,179,788
Inter-segment revenue	-	-	265,764	269,377	252,984	229,750	(518,748)	(499,127)	-	-
<b>Total segment revenue</b>	<b>1,723,677</b>	<b>1,628,876</b>	<b>749,896</b>	<b>714,395</b>	<b>342,606</b>	<b>335,644</b>	<b>(518,748)</b>	<b>(499,127)</b>	<b>2,297,431</b>	<b>2,179,788</b>
Segment results	191,191	165,214	4,243	8,793	20	1,009			195,454	175,016
Unallocated expenses									-	-
Results from operating activities									195,454	175,016
Finance costs									(5,439)	(7,559)
Tax expense									(57,218)	(47,107)
<b>Profit for the year</b>									<b>132,797</b>	<b>120,350</b>
<b>Segment assets</b>	<b>625,184</b>	<b>528,482</b>	<b>417,746</b>	<b>364,985</b>	<b>247,540</b>	<b>260,940</b>	<b>-</b>	<b>-</b>	<b>1,290,470</b>	<b>1,154,407</b>
<b>Total assets</b>									<b>1,290,470</b>	<b>1,154,407</b>
<b>Segment liabilities</b>	<b>187,060</b>	<b>170,343</b>	<b>142,636</b>	<b>121,085</b>	<b>123,586</b>	<b>128,987</b>	<b>-</b>	<b>-</b>	<b>453,282</b>	<b>420,415</b>
Unallocated liabilities									32,940	31,602
<b>Total liabilities</b>									<b>486,222</b>	<b>452,017</b>
Capital expenditure and franchise fees	115,097	100,571	54,377	53,424	8,190	2,610	-	-	177,664	156,605
Depreciation	50,052	40,196	19,467	15,404	6,484	6,131	-	-	76,003	61,731
Amortisation	6,861	4,751	227	227	238	261	-	-	7,326	5,239
Impairment loss	-	-	2,543	-	-	-	-	-	2,543	-

# Integrated Poultry includes retail operations.

# NOTES TO THE FINANCIAL STATEMENTS

## 24 SEGMENT REPORTING (contd.)

	Malaysia		Foreign		Consolidated	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Geographical segments</b>						
Revenue from external customers	<b>1,938,624</b>	1,834,707	<b>358,807</b>	345,081	<b>2,297,431</b>	2,179,788
Segment assets	<b>1,159,554</b>	1,038,779	<b>130,916</b>	115,628	<b>1,290,470</b>	1,154,407
Capital expenditure and franchise fees	<b>156,201</b>	133,417	<b>21,463</b>	23,188	<b>177,664</b>	156,605

## 25 FINANCIAL INSTRUMENTS

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

### Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial papers.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. In the previous year, the Group had interest rate swaps with a notional contract amount of RM6,074,000.

The interest rate relating to the interest rate swaps as at 31 December 2008 had been fixed at 5.34% per annum until its maturity in May 2009.

There is no interest rate swap facility outstanding as at 31 December 2009.

## 25 FINANCIAL INSTRUMENTS (contd.)

### Foreign currency risk

The foreign currency risk of the Group arises from subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The currency exposure is primarily Singapore Dollars.

The Group is exposed to foreign currency risk on 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 US Dollars.

In the previous year, the Group was also exposed to foreign currency risk arose from borrowings denominated in foreign currencies. The Group had currency swaps that were primarily used to hedge the foreign currency exposures on the borrowings. The currency exposures were primarily US Dollars and Singapore Dollars.

### Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

### Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

As the Group's transactions are substantially on cash basis, its credit risk is minimal.

# NOTES TO THE FINANCIAL STATEMENTS

## 25 FINANCIAL INSTRUMENTS (contd.)

### *Effective interest rates and repricing analysis*

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

Group	Average effective interest rate %	Total RM'000	Less than 1 year RM'000
<b>2009</b>			
<b>Fixed rate instruments</b>			
Deposits with licensed banks	1.52	83,083	83,083
Bankers' acceptance - unsecured	2.69	(4,188)	(4,188)
		78,895	78,895
<b>Floating rate instruments</b>			
Term loans - secured	3.37	(41,786)	(41,786)
- unsecured	2.74	(70,462)	(70,462)
		(112,248)	(112,248)
<b>2008</b>			
<b>Fixed rate instruments</b>			
Deposits with licensed banks	2.84	41,643	41,643
<b>Floating rate instruments</b>			
Term loans - secured	4.88	(68,446)	(68,446)
- unsecured	5.55	(72,609)	(72,609)
		(141,055)	(141,055)
<b>Company</b>			
<b>2009</b>			
<b>Floating rate instruments</b>			
Term loans - secured	3.35	(40,000)	(40,000)
<b>2008</b>			
<b>Fixed rate instruments</b>			
Deposits with licensed banks	3.10	3,667	3,667
<b>Floating rate instruments</b>			
Term loans - secured	4.87	(60,000)	(60,000)

## 25 FINANCIAL INSTRUMENTS (contd.)

### Fair values

The carrying amounts of cash and cash equivalents, receivables, other payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

It was not practical to estimate the fair value of the Company's investments 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 value of other financial liabilities, together with the carrying amounts shown in the balance sheets, are as follows:

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>2009</b>				
<b>Financial liabilities</b>				
Term loans	112,248	112,248	40,000	40,000
<b>2008</b>				
<b>Financial liabilities</b>				
Term loans	141,055	136,471	60,000	57,989

# NOTES TO THE FINANCIAL STATEMENTS

## 26 OPERATING LEASES

### Leases as lessee

Non-cancellable operating leases rentals are payable as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Less than one year	84,853	77,001	3,120	3,210
Between one and five years	113,757	101,680	12,478	12,838
More than five years	-	5,942	-	3,210
	<b>198,610</b>	184,623	<b>15,598</b>	19,258

The Group has entered into non-cancellable operating lease agreements for the use of land and buildings. These leases have an average term of 15 years with no renewal or purchase option included in the contracts. Certain contracts include escalation clauses or contingent rental arrangements computed based on sales achieved while others include fixed rentals for an average of 3 years. There are no restrictions placed upon the Group by entering into these leases.

## 27 CAPITAL COMMITMENTS

	Group	
	2009 RM'000	2008 RM'000
<b>Property, plant and equipment</b>		
Authorised but not contracted for	214,130	166,929
Contracted but not provided for	29,492	44,709
	<b>243,622</b>	211,638

## 28. CONTINGENT LIABILITIES

	Company	
	2009 RM'000	2008 RM'000
<b>Unsecured</b>		
Corporate guarantees in favour of various financial institutions in respect of credit facilities extended to and performance by certain subsidiaries	96,367	48,409

## 29 RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to 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 or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

Group	Transaction value for year ended 31 December	
	2009 RM'000	2008 RM'000
<b>Ultimate holding corporation</b>		
Sale of goods	1	11
Rendering of services	318	190
<b>Intermediate holding company</b>		
Sale of goods	1	-
<b>Related companies</b>		
Sale of goods	81,976	84,384
Purchase of goods	7,505	6,539
Purchase of apparels	7	533
Purchase of balloons	6	54
Purchase of printing, publication materials	80	19
Purchase of souvenir and gifts	12	5
Purchase of cleaning equipment	23	-
Rendering of services	5,720	4,956
Interest payable	265	468
Allocation of expenses	9,207	8,495
Forwarding services payable	58	98
Khairat fees payable	12	8
Rental income	1,092	1,005
Rental payable	342	104
Commission income	443	-
Purchase of property, plant and equipment	40	845
Sale of property, plant and equipment	124	2,000
<b>Related parties</b>		
Sales of goods	-	2
Rendering of services	313	97
Agent fees	-	171

# NOTES TO THE FINANCIAL STATEMENTS

## 29 RELATED PARTIES (contd.)

Company	Transaction value for year ended 31 December	
	2009 RM'000	2008 RM'000
<b>Ultimate holding corporation</b>		
Rendering of services	233	183
<b>Subsidiaries</b>		
Gross dividends	77,365	97,220
Allocation of expenses	27,060	23,035
Interest receivable	3,669	1,727
Rental income	-	15
<b>Related companies</b>		
Allocation of expenses	3,580	2,716
Purchase of apparels	6	4
Rendering of services	3,044	2,076
Rental income	210	210
<b>Related parties</b>		
Rendering of services	26	25
Agent fees	-	126

There are no material outstanding balances as at balance sheet date other than that disclosed in Note 10.

There are no allowances for doubtful debts being provided in respect of these balances outstanding at year end and no allowances for doubtful debts made during the year.

### 30 SIGNIFICANT EVENTS

- i On 5 January 2009, QSR Brands Bhd (“QSR”) announced that QSR had from the period of 30 June 2008 to 2 January 2009 acquired from the open market an aggregate of 3,204,100 ordinary shares of RM1.00 each in the Company (“KFCH shares”) representing 1.62% of the issued and paid-up capital of the Company (“the Acquisition”).

As a result of the Acquisition, QSR is the direct beneficial owner of 42,551,800 KFCH shares and an indirect beneficial owner of 57,080,000 KFCH shares, which are held through QSR Ventures Sdn Bhd (a wholly-owned subsidiary of QSR). Hence, QSR’s cumulative direct and indirect interest in the Company is 99,631,800 representing 50.25% of the equity interest in KFCH, thereby effectively making the Company a subsidiary of QSR.

- ii 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:

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

- iii On 4 March 2009, the Company announced that Roaster’s Chicken Sdn Bhd, a wholly-owned subsidiary of the Company 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:

- a Rasamas Mergong Sdn Bhd (formerly known as Smart Revenue Sdn Bhd) ;
- b Rasamas Endah Parade Sdn Bhd (formerly known as Bima Permata Sdn Bhd) ;
- c Rasamas Nilai Sdn Bhd (formerly known as Midland Brand Sdn Bhd) ;
- d Rasamas Kota Bharu Sdn Bhd (formerly known as Dominion Brand Sdn Bhd) ;
- e Rasamas Butterworth Sdn Bhd (formerly known as Heritage Revenue Sdn Bhd) ;
- f Rasamas BC Sdn Bhd (formerly known as Natural Equity Sdn Bhd) ;
- g Rasamas Bukit Tinggi Sdn Bhd (formerly known as Premier Option Sdn Bhd) ;
- h Rasamas Subang Sdn Bhd (formerly known as Supreme Delight Sdn Bhd) ; and
- i 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 SIGNIFICANT EVENTS (contd.)

- iv 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.
- v 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.

KFC India Holdings Sdn Bhd (formerly known as Orient Palm Sdn Bhd) is intended to be used for the purpose of the Company's venture into KFC India.

- vi 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.

- vii 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:
  - a Mohd Khir bin Yadin and Rasamas Butterworth Sdn Bhd (formerly known as Heritage Revenue Sdn Bhd)
  - b Lim Mooi Huang and Rasamas Subang Sdn Bhd (formerly known as Supreme Delight Sdn Bhd)
  - c 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.

- viii 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):
  - a Azian binti Abdul Rashid and Rasamas Batu Caves Sdn Bhd
  - b Nor Suraya Hani binti Maskan and Rasamas Bangi Sdn Bhd

(Azian binti Abdul Rashid and 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.

- ix 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.
- x On 9 December 2009, the Company announced the acquisition of the entire issued and paid-up share capital of Cilik Bistari Sdn Bhd (formerly known as 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 had acquired the entire issued and paid-up share capital of Usahawan Bistari Ayamas Sdn Bhd (formerly known as 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.

### 30 SIGNIFICANT EVENTS (contd.)

- xi 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:
  - a Rasamas Terminal Larkin Sdn Bhd (formerly known as Bold Ocean Sdn Bhd)
  - b Rasamas Melaka Sdn Bhd (formerly known as Prisma Circle Sdn Bhd)

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

### 31 SUBSEQUENT EVENTS

- i 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:
  - a Masnawi bin Mohamed Soa'aid and Rasamas Bukit Tinggi Sdn Bhd (formerly known as Premier Option Sdn Bhd)
  - b Mohd Faizal bin Awang Soh and Rasamas Kota Bharu Sdn Bhd (formerly known as Dominion Brand 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.

- ii 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:
  - a Rasamas Wangsa Maju Sdn Bhd (formerly known as Sensasi Laman Sdn Bhd) acquired Rasamas BC Sdn Bhd (formerly known as Natural Equity Sdn Bhd). Rasamas BC Sdn Bhd (formerly known as Natural Equity Sdn Bhd) is intended to house the operations of the Rasamas Batu Caves outlet; and
  - b Rasamas Tebrau Sdn Bhd acquired Rasamas Terminal Larkin Sdn Bhd (formerly known as Bold Ocean Sdn Bhd). Rasamas Terminal Larkin Sdn Bhd (formerly known as Bold Ocean Sdn Bhd) is intended to house the operations of the Rasamas Terminal Larkin outlet.

- iii 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.

The acquisition was completed on 29 January 2010.