KFC HOLDINGS (MALAYSIA) BHD 65787-T
Level 17, Wisma KFC
No 17 Jalan Sultan Ismail
50250 Kuala Lumpur

Tel: +603 2026 3388
Fax: +603 2078 8088

KFC HOLDINGS (MALAYSIA) BHD 65787-T

Annual Report 2010

KFC HOLDINGS (MALAYSIA) BHD 65787-T

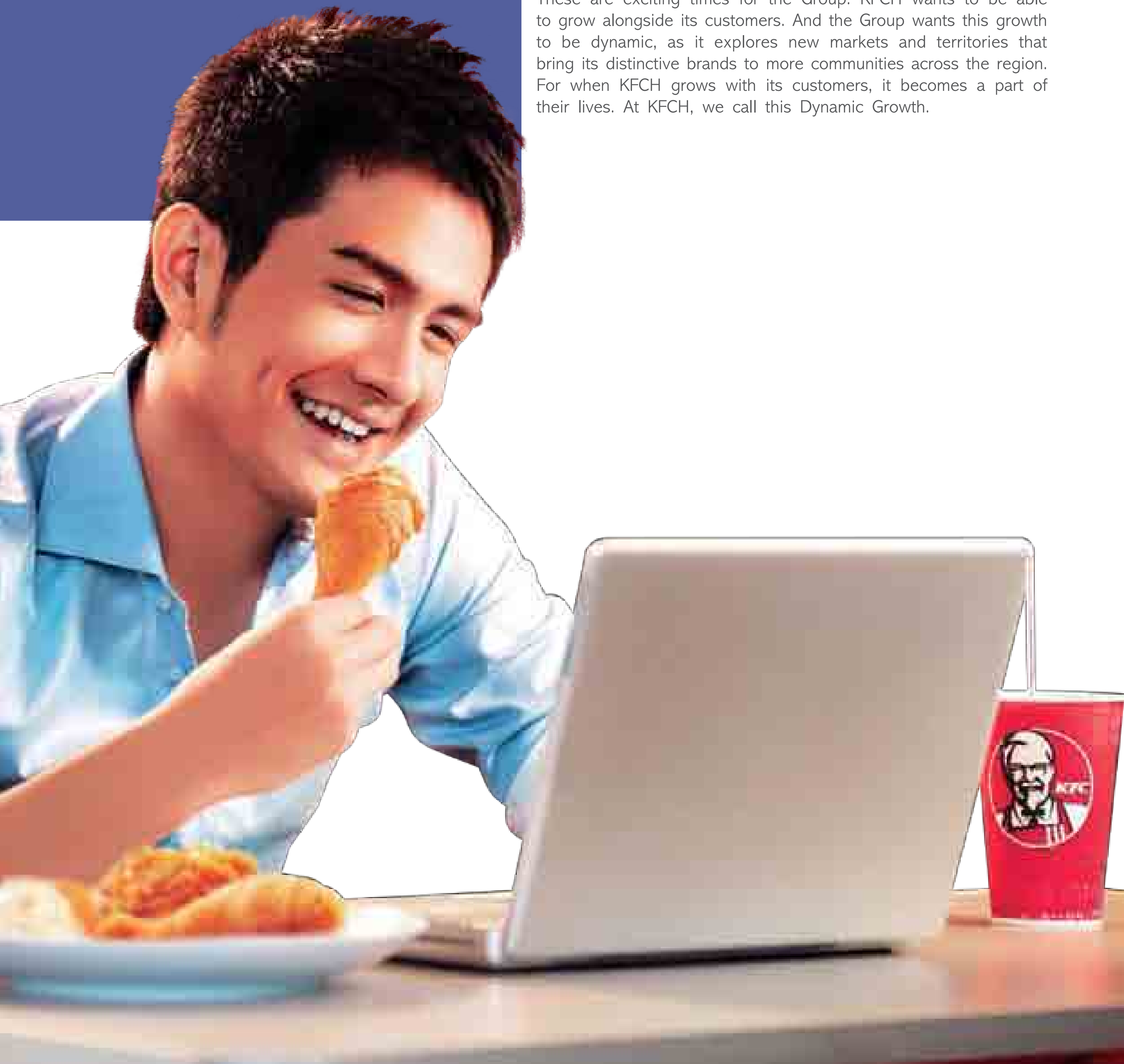
Annual Report **2010**

Dynamic Growth

COVER RATIONALE

Dynamic Growth

These are exciting times for the Group. KFCH wants to be able to grow alongside its customers. And the Group wants this growth to be dynamic, as it explores new markets and territories that bring its distinctive brands to more communities across the region. For when KFCH grows with its customers, it becomes a part of their lives. At KFCH, we call this Dynamic Growth.



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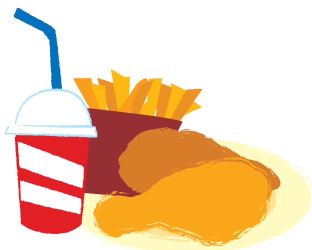


a growing network

The Group's commitment to restaurant expansion is unshakeable. As more restaurants are opened across the region, the tastes of KFC, RasaMas and Kedai Ayamas are now being enjoyed by more people than ever before.

key financial highlights for 2010

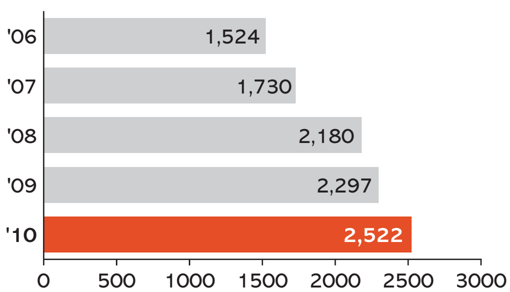
Improving economies across the region brought big smiles and higher spending

Mouth-watering products and higher discretionary spending combined to boost the Group's performance in 2010. Families, office workers, youth, the growing middle classes, a whole new subcontinent; everyone is joining in the fun at our restaurant and store networks.

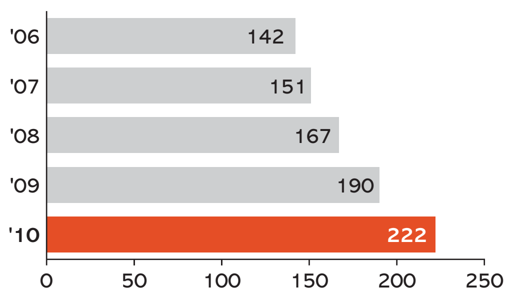
FINANCIAL HIGHLIGHTS

	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
REVENUE					
Restaurants	1,164,078	1,335,317	1,628,876	1,723,677	**1,888,072**
Integrated Poultry	289,665	316,985	445,018	484,132	**533,397**
Ancillary	70,096	78,069	105,894	89,622	**100,889**
Total	1,523,839	1,730,371	2,179,788	2,297,431	**2,522,358**
Profit Before Tax	142,304	150,624	167,457	190,015	**221,833**
Profit Attributable to Equity Holders	98,280	104,269	118,535	130,403	**156,848**
Total Assets	974,078	1,006,128	1,154,407	1,290,470	**1,583,032**
Shareholders' Equity	528,476	602,021	692,158	791,757	**990,247**
Basic Earnings Per Share (Sen)	12.4	13.1	14.9	16.4	**19.8**
Gross Dividend Per Share (Sen)	18	20	22	24	**15.5**
Share Price As At 31 December (RM)	5.40	6.40	7.45	7.40	**3.82**
NO. OF RESTAURANTS					
KFC Malaysia	368	403	436	475	**515**
KFC Singapore	68	69	73	77	**77**
KFC Brunei	7	7	8	9	**9**
KFC India	—	—	—	—	**7**
	443	479	517	561	**608**
Kedai Ayamas	19	20	25	35	**49**
RasaMas Malaysia	15	22	34	40	**39**
RasaMas Brunei	–	–	2	3	**3**

Revenue
RM (Million)



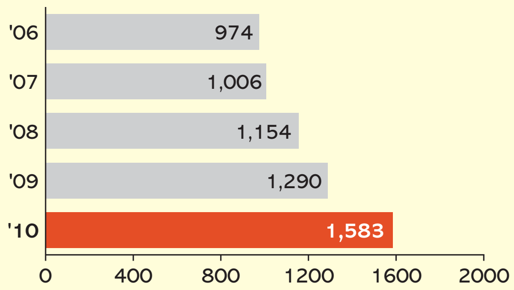
Profit Before Tax
RM (Million)



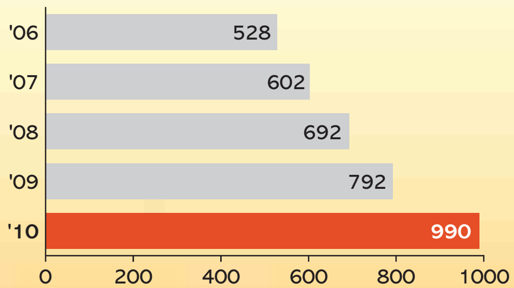
Numbers on the rise in a year of growth

Look across the financial tables of KFCH and it is clear 2010 was a year of dynamic growth. The indicators of a successful year are evidenced in greater assets, more shareholder equity, a larger restaurant and store network, increased revenue and higher profit before tax.

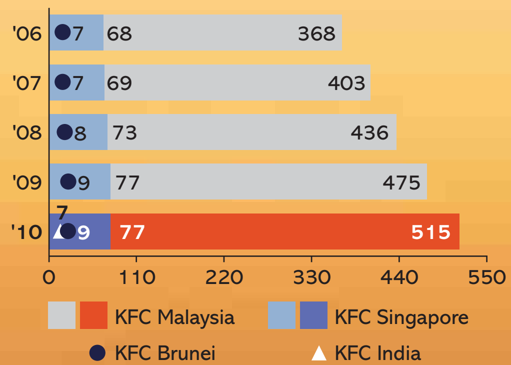
Total Assets
RM (Million)



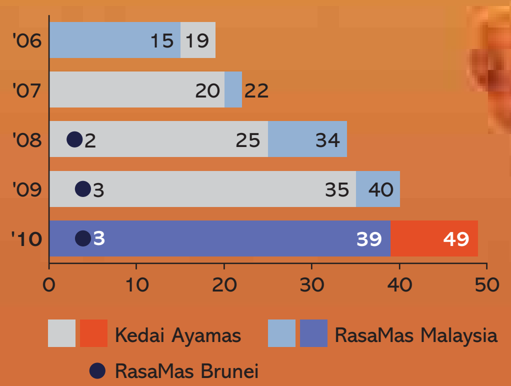
Shareholders' Equity
RM (Million)



Total KFC Restaurants
No. of Restaurants



Total Ayamas Outlets
No. of Outlets



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 31st Annual General Meeting of KFC Holdings (Malaysia) Bhd will be held at Level 3, Wisma KFC, No. 17 Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 27 April 2011 at 11.30 am for the following purposes:

AGENDA

1. To receive and adopt the Audited Financial Statements of the Company for the year ended 31 December 2010 and the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2010. **Resolution 2**

3. (a) To re-elect the following Directors retiring pursuant to Article 89 of the Company's Articles of Association:

   (i) Tan Sri Dato' Dr Yahya bin Awang **Resolution 3**

   (ii) Kua Hwee Sim **Resolution 4**

   (b) To re-elect the following Director retiring pursuant to Article 96 of the Company's Articles of Association:

   (i) Kamaruzzaman bin Abu Kassim **Resolution 5**

4. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

5. As special business:

   To consider and, if thought fit, to pass the following resolutions:-

   (a) Ordinary Resolution – Authority to allot and issue shares pursuant to Section 132D of the Companies Act 1965 (the "Act")

   "THAT subject always to the Act, Articles of Association of the Company and approvals from the Bursa Malaysia Securities Berhad and other governmental or regulatory authorities, where such approvals shall be necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Act from time to time to issue and allot ordinary shares from the unissued share capital of the Company upon such terms and conditions and at such times as may be determined by the Directors of the Company to be in the interest of the Company provided always that the aggregate number of shares to be issued pursuant to this Resolution shall not exceed 10 percent of the issued share capital for the time being of the Company." **Resolution 7**

(b) Ordinary Resolution – Proposed Renewal of Share Buy-Back Authority

"THAT subject to the Companies Act 1965 (the "Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorized to purchase and/or hold such amount of ordinary shares of RM0.50 each in the Company's issued and paid-up share capital ("Proposed Share Buy-Back Authority") through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that:-

(a) the aggregate number of shares so purchased and/or held pursuant to this ordinary resolution ("Purchased Shares") does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any one time; and

(b) the maximum amount of funds to be allocated for the Purchased Shares shall not exceed the aggregate of the retained profits and/or share premium of the Company;

"AND THAT the Directors be and are hereby authorised to decide at their discretion either to retain the Purchased Shares as treasury shares (as defined in Section 67A of the Act) and/or cancel the Purchased Shares and/or to retain the Purchased Shares as treasury shares for distribution as share dividends to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancelled subsequently and/or to retain part of the Purchased Shares as treasury shares and/or cancel the remainder and to deal with Purchased Shares in such other manner as may be permitted by the Act, rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force."

"AND THAT the Directors be and are hereby empowered to do all acts and things (including the opening and maintaining of a central depositories account(s) under the Securities Industry (Central Depositories) Act, 1991) and to take such steps and to enter into and execute all commitments, transactions, deeds, agreements, arrangements, undertakings, indemnities, transfers, assignments, and/or guarantees as they may deem fit, necessary, expedient and/or appropriate in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Share Buy-Back Authority with full powers to assent to any conditions, modifications, variations (if any) as may be imposed by the relevant authorities."

"AND FURTHER THAT the authority conferred by this ordinary resolution shall be effective immediately upon passing of this ordinary resolution and shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiry of the period within which the next AGM of the Company is required by law to be held (whichever is earlier), unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, but shall not prejudice the completion of purchase(s) by the Company before that aforesaid expiry date and in any event in accordance with provisions of the Listing Requirements and other relevant authorities." **Resolution 8**

NOTICE OF ANNUAL GENERAL MEETING

(c) **Ordinary Resolution – Proposed Renewal of Existing Shareholders' Mandate and additional mandate for KFC Holdings (Malaysia) Bhd ("KFCH") and its subsidiaries ("KFCH Group") to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature with Related Parties ("Proposed Shareholders' Mandate")**

"THAT authority be and is hereby given in line with Paragraph 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transaction, particulars of which are set out in the Circular to Shareholders dated 4 April 2011, with the Related Parties as described therein, provided that such transactions are of revenue and/or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries, within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which those generally available to the public and are not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution until:-

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which the ordinary resolution for the Proposed Shareholders' Mandate for the Recurrent Related Party Transactions is passed, at which time it shall lapse, unless the authority is renewed by a resolution passed at the next AGM; or

(ii) the expiration of the period within which the next AGM after the date it is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting of the Company,

whichever is earlier.

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate." **Resolution 9**

(d) **Special Resolution – Proposed Amendments to the Company's Articles of Association**

"THAT the Articles of Association of the Company be and are hereby amended in the manner as set out in Part C of the Circular to Shareholders dated 4 April 2011 AND THAT the Directors of the Company be and are hereby authorized to give effect to the said amendments, alteration, modification and deletion to the Articles of Association of the Company as may be required by any relevant authorities as they deem fit, necessary or expedient in order to give full effect to the Proposed Amendments to the Company's Articles of Association." **Resolution 10**

6. To transact any other ordinary business of which due notice shall have been given.

BY ORDER OF THE BOARD

MOHD ZAM BIN MUSTAMAN (LS 0009020)
IDHAM JIHADI BIN ABU BAKAR, ACIS (MAICSA 7007381)
Company Secretaries

Kuala Lumpur
4 April 2011

NOTES:

1. A member of the Company entitled to attend and vote at the above Annual General Meeting ("AGM") may appoint a Proxy to attend and vote in his stead. A Proxy may but need not be a member of the Company. If the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or person approved by the Companies Commission of Malaysia.

2. If the member is a corporation, the Proxy Form must be executed under its common seal or the hand of its duly authorised officer or attorney. If the Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation having been received". If the Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the Proxy Form.

3. A member of the Company may appoint more than two (2) proxies to attend the AGM. Where a member of the Company appoints two (2) or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy.

4. Any alteration made in this form should be initialed by the person who signs it.

5. The Proxy Form and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority must be deposited at Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Resolution Pursuant to Section 132D of the Companies Act 1965**

   The Ordinary Resolution proposed under item 5(a), if passed, will give the Directors of the Company, from the date of the above General Meeting, authority to issue and allot ordinary shares from the unissued share capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied at a General Meeting, expire at the conclusion of the next Annual General Meeting of the Company.

   The Company had, at the 30th Annual General Meeting held on 29 April 2010, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act"). The Company did not issue any new shares pursuant to this mandate obtained as at the date of this notice. The Ordinary Resolution 7 proposed under item 5(a) of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

   The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

2. **Resolution pursuant to the Proposed Renewal of Share Buy-Back Authority**

   This resolution proposed under item 5(b) will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company by utilising the funds allocated which shall not exceed the total retained earnings and share premium of the Company. This authority will, unless revoked or varied at a General Meeting, expire at the conclusion of the next Annual General Meeting of the Company.

   Further information on the Proposed Renewal of Share Buy-Back Authority are set out in the Circular to Shareholders of the Company which is dispatched together with the Company's Annual Report for the year ended 2010.

3. **Resolution pursuant to the Proposed Shareholders' Mandate**

   This resolution proposed under item 5(c) will enable KFCH Group to enter into any recurrent transactions of a revenue or trading nature which are necessary for the KFCH Group's day-to-day operations, subject to the transactions being in the ordinary course of business, made at arm's length and on normal commercial terms and are not to the detriment of the minority shareholders of the Company.

   Further information on the Proposed Shareholders' Mandate are set out in the Circular to Shareholders of the Company which is dispatched together with the Company's Annual Report for the year ended 2010.

4. **Resolution pursuant to the Proposed Amendments to the Company's Articles of Association**

   The Special Resolution proposed under item 5(d), if passed, will give authority to the Directors to amend the Company's Articles of Association in order to be in line with the new Listing Requirements of Bursa Malaysia Securities Berhad, prevailing statutory and regulatory requirements as well as to update the Articles of Association of the Company. Further explanatory notes on Resolution 10 are set out in the Circular to Shareholders dated 4 April 2011 attached to the Annual Report for the year ended 31 December 2010.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE ANNUAL GENERAL MEETING

(a) The Directors retiring by rotation pursuant to Article 89 of the Articles of Association are:-

(i) Tan Sri Dato' Dr Yahya bin Awang

(ii) Kua Hwee Sim

(b) The Director retiring by rotation pursuant to Article 96 of the Articles of Association is:-

(i) Kamaruzzaman bin Abu Kassim

The details of the directors seeking re-election are set out in the Directors' Profiles which appear on pages 50 to 58 of the Annual Report.

2. DETAILS OF ATTENDANCE AT BOARD MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

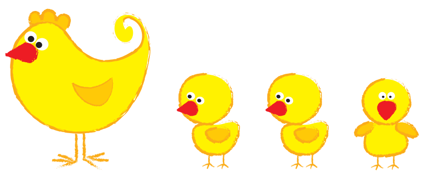
There were six (6) Board Meetings held during the financial year ended 31 December 2010 and the following are the details of the Board attendance:-

Name of Directors	No. of Meetings Attended
1. Kamaruzzaman bin Abu Kassim (appointed on 12 January 2011)	—
2. Ahamad bin Mohamad	5/6
3. Jamaludin bin Md Ali	6/6
4. Datuk Ismee bin Ismail	3/6
5. Kua Hwee Sim	6/6
6. Datin Paduka Siti Sa'diah binti Sheikh Bakir	6/6
7. Tan Sri Dato' Dr Yahya bin Awang	5/6
8. Hassim bin Baba	6/6

3. THE 31st ANNUAL GENERAL MEETING WILL BE HELD AT LEVEL 3, WISMA KFC, NO. 17 JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR ON WEDNESDAY, 27 APRIL 2011 AT 11.30 am.


KFC

stylish surroundings



This year over 47 restaurants in the KFCH network underwent image enhancement works. The stylish surroundings and improved ambiance of these restaurants enhance the dining experience for young and old alike.

CORPORATE STATEMENT

The Group has remained

From Left to Right

AHAMAD MOHAMAD
Deputy Chairman

KAMARUZZAMAN ABU KASSIM
Chairman

JAMALUDIN MD ALI
Managing Director

~

true to its fundamentals

FELLOW SHAREHOLDERS

2010 was a stellar year for KFC Holdings (Malaysia) Bhd Group (KFCH). Record-breaking financial results were posted on the back of region-wide restaurant network expansion, far-sighted strategic initiatives, methodical cost controls and – above all – an ever-growing demand for the Group's products. A general improvement in the economies of the countries where the Group operates, added further brightness to the picture so that, today, the Group is extremely well placed for a new decade of achievements.

It therefore gives us great pleasure to present the corporate statement of KFCH for the financial year ended 31 December 2010.

REGIONAL ECONOMIC REVIEW

The year under review was very favourable for KFCH. Positive growth conditions in the ASEAN economies have served to improve consumer confidence leading to an increase in spending. Looking further afield, nations with advanced economies have also been recovering from the effects of the global financial crisis, albeit at a slower pace.

The Malaysian economy performed with gusto in 2010, with a GDP growth of 7.2% for the year, a significant achievement when compared with the economic contraction it suffered in the previous year. Attributable factors included sustained expansion in domestic demand and robust growth in external demand. Most major economic sectors reported expansion, with the services and manufacturing sectors achieving particularly strong growth of 6.8% and 11.4% respectively.

Singapore's economy was resurgent in 2010. GDP growth was an impressive 14.5% for the year. Causes include strong expansion in the manufacturing sector which grew by 28.2% compared to 2009, resilient exports and excellent performance in tourism-related sectors, bolstered by two new casino resorts.

India's economy continued to expand, achieving a 8.3% GDP growth for the year, due mostly to strong domestic demand. More importantly, growth was broad-based covering all three major sectors: agriculture, manufacturing and services. However, warning signs were present through the year in the shape of high food inflation and the country's increasing fiscal deficit.

CORPORATE STATEMENT

2010 FINANCIAL HIGHLIGHTS

KFCH had an impressive year culminating in a RM224.9 million increase in revenue. Total revenue for the year amounted to RM2,522.3 million, a 9.8% increase on the RM2,297.4 million achieved in 2009. Profit before tax jumped 16.7% to RM221.8 million.

The key financial highlights for 2010 include:

- Revenue at KFC Restaurants (region-wide) climbed 9.5% (RM164.4 million) to RM1,888.1 million.
- KFC Malaysia achieved a revenue of RM1,496.9 million, a 9.6% increase over the previous year.
- A 7.6% or RM25.9 million increase in revenue was recorded at KFC Singapore where revenue totalled RM368.6 million for the year.
- KFC Brunei increased its revenue to RM16.3 million, a 5.7% growth on 2009's figures.
- An encouraging first year of operations for KFC India generated RM6.2 million of revenue.
- Major corporate clients engaged KFC Events Sdn Bhd (KFC Events) for site selling and voucher marketing, contributing almost RM35 million in sales.
- Revenue at the Group's Integrated Poultry segment climbed to RM533.4 million, a 10.2% increase over the previous year.
- KFC Marketing Sdn Bhd registered a 10.7% or RM21.4 million increase in revenue to RM221.4 million for the year.

SYNOPSIS OF IMPROVEMENTS

A series of strategic initiatives were undertaken in 2010 to better improve the Group's future growth. Highlights included the following:

- KFCH expanded its network by opening 40 new restaurants in Malaysia and seven in India.
- Extended hours and breakfast were introduced in 197 stores of the KFC network leading to net incremental sales of RM6.8 million for the year.
- KFC Malaysia launched a series of promotions to capture a larger portion of the youth market. These included a new Zinger Tower, the KFC Showtime Box Meal – Iron Man and the KFC Toasted Pocketful.
- KFC Singapore generated a lot of buzz with the launch of the Ole Ole Feast campaign which ran during the FIFA World Cup.
- 47 restaurants in the KFC network underwent image enhancement works to modernise their appeal and improve customer experience.
- KFC Marketing launched six new chicken products under the Ayamas brand including Poppers (two variants), Black Pepper Crispy Fried Chicken, Premium Jumbo Drummets, Chicken Satay with Peanut Sauce and Chicken Donut.
- KFC Marketing acquired the rights to distribute sauces and dressings under the Kewpie of Japan brand. They also acquired the rights to distribute various products under the Leggo brand and frozen fish-based products under the I&J brand, both of which fall under the purview of the Simplot Company.
- 14 new Kedai Ayamas stores opened across Malaysia.
- Region Food Industries Sdn Bhd (RFI) opened a new mayonnaise plant with a production capacity of 200 MT/month in November 2010.

DIVIDENDS

The Group declared a total interim dividend of 15.5 sen less tax of 25% per ordinary share for the financial year ended 31 December 2010. No final dividend was proposed for the current financial year 2010.

CORPORATE RESTRUCTURING – IMPROVING LIQUIDITY OF KFCH SHARES

In order to enhance the liquidity and increase the marketability of KFCH shares, the Group's shareholders agreed to a share split that resulted in each ordinary share of RM1.00 being subdivided into two ordinary shares of RM0.50 each. In conjunction with this exercise, a one-for-one bonus issue was effected whereby 396,549,364 new ordinary shares of RM0.50 each were issued. In addition 31,723,949 new free warrants were issued on the basis of one free warrant for every 25 existing ordinary shares of RM0.50 each held after the share split and bonus issue.

This strategic move, which took place on 24 August 2010, will encourage a wider uptake by public shareholders in the Group. The issued and paid-up share capital of KFCH was previously RM198,274,682 comprising 198,274,682 ordinary shares of RM1.00 each, and as at 31 December 2010, the issued and paid-up share capital was RM396,615,492 comprising 793,230,984 shares of RM0.50 each.

CORPORATE STATEMENT

DEVELOPMENTS TO ENHANCE OPERATIONS

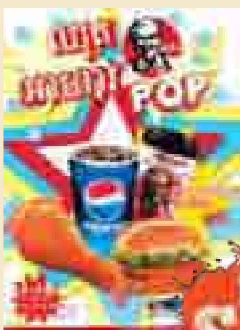
KFCH improves its performance by seeking out and embracing change. To do this the Group analyses performances to identify areas for improvement and then lays the groundwork for future developments that will strengthen operations. A comprehensive list of initiatives and improvements was instigated in 2010 that will benefit the Group now and in the years to come.

In 2009, a regionalisation programme was introduced in the Northern and East Malaysia Regions. In 2010 the regionalisation programme was rolled out to encompass the Southern Region, East Coast Region, and two Central Regions. The purpose of the regionalisation programme is to empower regional entities to drive better restaurant performance, derive cost control benefits, increase operational efficiency and offer more career enhancement opportunities.

A major thematic campaign called "New Discoveries, Classic Taste" was unveiled by KFC Malaysia in March 2010. The objective of the campaign was to build our brand's top-of-mind and to further differentiate the KFC brand from competitors while enhancing its strong positioning. In conjunction with the new thematic campaign, the Colonel's Royal Briyani Combo tactical campaign was launched to drive transactions.

KFC Singapore ran a series of imaginative product and promotional campaigns during the year to enhance performance. The male-targeted Ole Ole Box and Ole Ole Feast were launched in conjunction with the FIFA World Cup to provide football lovers with a themed meal treat.

Similarly, KFC Brunei attracted a greater number of customers by launching products such as Black Pepper Crunch, Hot & Spicy Shrimps and the price-friendly Jom Jimat Afternoon Cravers. Customers of KFC Brunei were also treated to new products such as the Kombo Pesta



Bola, Toasted Pocketful, Shrimp Hearties and the re-imaged Zinger Tower Crunch. A concerted effort to increase sales while promoting the KFC brand was led by site selling activities at expos, consumer fairs, sporting events and more. Although Brunei has a small population, disposable income is comparatively large against other countries in the region, making prospects for future growth very encouraging.

In line with the Group's vision of becoming the leading integrated food service group in the Asia Pacific region, KFCH has built a strong presence in India by opening seven restaurants across the cities of Mumbai, Pune and Aurangabad. Two of the restaurants in Pune were brought under KFC India through the acquisition of Kernel Foods Pvt Ltd, previously the sole KFC franchisee in the city, for a total investment of RM2.75 million. These strategic locations provide access to sizeable population bases of more than 26 million people, and a growing, affluent middle-class clientele. To appeal to the large vegetarian segment of the Indian population, KFC India developed a series of products to cater to local tastes including the Veg Zinger, Veggie Feast and Corn On The Cob, which supported ever popular staples like fries and mashed potato.

2010 was a successful year for KFC Events, the voucher, catering and site-selling arm of KFCH. Aggressive marketing by the recently incorporated company led to transactions with a number of high profile corporate customers who engaged KFC Events to supply vouchers for their sales and marketing initiatives and to cater at large events.

In tandem with the growth of KFCH's restaurant business came escalating demand for chicken products. To increase broiler supply to the Group's processing plants,

CORPORATE STATEMENT

KFCH has constructed modern broiler farms in Sedenak, Johor with a total capacity of one million birds per cycle or six million birds per year. The Group is also actively pursuing opportunities to boost production of Day Old Chicks.

In January 2010, KFCH acquired Paramount International College with plans to develop it into one of the leading private educational institutions in Asia. Now renamed KFCH International College (KFCH College), the educational seat is quickly being upgraded. At the Puchong campus, additional infrastructure is being constructed and skilled lecturers and support staff are being recruited into the faculty. An entirely new campus is being built in Johor which the Group hopes will serve as Malaysia's premier educational institution specialising in restaurant management, culinary arts, hotel management, tourism management and event management. The Group is currently awaiting approval for the new curriculum from the Malaysian Qualifications Agency (MQA).

RM25 million will be invested for the acquisition and refurbishment of the existing campus in Puchong as well as for initial renovations of the new campus in Bandar Dato' Onn. The Johor campus will be located within the new Bandar Dato' Onn township, a RM3.5 billion commercial and residential development strategically located near the heart of Johor Bahru. The campus will be built in three phases and is scheduled for completion in 2015. Once fully operational, the Johor campus will have an intake capacity of 12,000 students per year.

The Group also entered into a Memorandum of Understanding (MOU) with with the Federal Land Development Authority (FELDA) and Majlis Belia Felda Malaysia that will see Felda youth undergo training and entrepreneurial development at KFCH College. These Felda students will be offered employment opportunities within the Group after their periods of study are completed. Looking further afield, the Group is actively pursuing opportunities to form similar affiliations with other governmental and private institutions to further increase the student body of the KFCH College.

Another worthy initiative is the progress of Usahawan Bistari Ayamas Sdn Bhd (UBASB). Developed to appeal to the lower income segment of Malaysia's market, the company provides operators with the equipment and training they need to sell Ayamas Pek Jimat products from their homes. This win-win initiative gives operators a portion of the proceeds from everything they sell and enables the company to reach a segment of the market previously difficult to reach on a consistent basis. UBASB's inherent Corporate Social Responsibility (CSR) characteristics has led the Ministry of International Trade & Industry (MITI) to allocate a grant worth RM260,000 for 49 of the most needy operators. As of December 2010 there were 249 operators country-wide.

This year, the Group expanded its "Ayamazz Roti Impit" entrepreneurial initiative, operating under the Ayamazz Sdn Bhd banner. A Roti Impit kiosk is a hot dog push cart stocked with Ayamas products which is operated around universities, colleges and polytechnics by young entrepreneurs who show a desire to pursue a career in business. In 2010, 60 Roti Impit stalls were opened for business in educational seats around Peninsular Malaysia. The Roti Impit initiative also bolsters the Group's CSR efforts by offering students business training and employment opportunities.

After 22 years of brand building exclusively in Peninsular Malaysia, the Group is pushing ahead with plans to expand Kedai Ayamas' operations into Singapore and Brunei Darussalam. The strategic decision was taken after research revealed that no similar competitors exist in these markets. In Sabah, Kedai Ayamas has formed a Joint Venture (JV) with Rastamas Sdn Bhd (Rastamas), one of the state's leading poultry processors, which will see Kedai Ayamas products sold across retail outlets, hotels, restaurants and the open market in Sabah, using poultry supplied by Rastamas. The move will also pave the way for Kedai Ayamas to open more outlets throughout the state.

ACCELERATING PERFORMANCE EXCELLENCE

KFCH carries out a programme employing modern performance tools to increase the skills and efficiency of staff from all of the Group's companies. The first of these is Pedoman, Johor Corporation's (JCorp) internally-developed annual event. Pedoman brings together restaurant managers, senior management and directors for a day of discussions, presentations, strategy sessions and reviews. The event has an informal tone, and participants are encouraged to be frank and honest in their views. The spirit of Pedoman bolsters attendees' morale and equips them to identify and improve areas that fall under their purview.

KFCH has developed a framework of Key Performance Indicators (KPIs) which are used to boost Group performance. In their basic form the Group relies on KPIs to benchmark the performance of organisational units and members of staff. The Group also uses them to add value to difficult-to-measure activities such as leadership development, service, and customer satisfaction. As well as being a monitoring tool, the KPI methodology has proven to be exceptionally useful in quantifying new processes which are implemented by the Group and its subsidiaries.

In addition, management teams have adopted the Balanced Score Card methodology as a framework for strategic management and control, particularly in the restaurants segment. It also helps identify areas where performance needs to be improved and set parameters for that improvement. Other benefits derived from the Balanced Score Card methodology include the ability to better align strategic goals across the whole Group and strengthen existing management processes, ensuring it is focused on achieving performance improvements.

A highlight of the Group's calendar is Hari Mekar, a collaborative event organised by JCorp that brings staff together with the aim of improving performance. Held in December, Hari Mekar saw attendees participating in lectures, discussions and training sessions. The event has been developed into a lynchpin forum to inculcate the Group's shared values and to achieve buy-in for strategic initiatives. It also serves as a platform for staff from various divisions to socialise and build relationships.

Hari Mekar is more than just a learning tool. The event also incorporates a competition that sees JCorp and its subsidiaries battle it out to win prizes in three categories: Innovative Creative Circle (ICC), Cempaka (Suggestions & Ideas) and Poster Design. 14 teams from KFCH participated across the three categories. The overall winner of the event – for the fourth consecutive year – was KFCH's parent company, QSR.

IMPROVING GOVERNANCE

Good corporate governance and the improvement of the Group's corporate governance culture is a matter of high importance to the board of directors. In early 2011, KFCH set up a Remuneration & Nomination committee to ensure transparency to both employees and the wider stakeholder community.

KFCH's good reputation and the trust placed in it by customers, investors, workforce and the general public hinge on the proper behaviour of all the Group's employees, from every level of the organisation. KFCH rigorously upholds, and will continue to uphold, a commitment to stakeholders and the communities in which the Group operates.

COMMITTED TO CORPORATE SOCIAL RESPONSIBILITY

The Group's CSR initiatives come under the purview of Yayasan Amal Bistari (YAB), a corporate foundation which centralises all CSR programmes. Based on the Group's six CSR pillars – championing the *halal* cause, improving educational standards, encouraging entrepreneurial development, promoting a healthy lifestyle, fostering a sense of national unity, and helping the less fortunate – YAB conducted a range of initiatives to positively impact stakeholders.

CORPORATE STATEMENT

Festive occasions are always special times to engage in CSR initiatives. This year, AFCSB hosted a Majlis Berbuka Puasa (breaking of fast) to demonstrate its appreciation to the local community around the Bandar Tenggara poultry processing plant. 2,500 guests including more than 220 underprivileged children and their custodians from several homes and orphanages were treated to a wide selection of food and drinks from KFCH companies.

KFCH partnered with Yum! Brands Inc and the World Food Programme to help them in their mission to fight hunger in every part of the world. Product and marketing teams put their heads together to design a collateral that customers could purchase when they visited KFC restaurants. The result was a one-off specially designed pack containing a notepad and pen which was made available at KFC outlets throughout the country.

The fight against hunger featured in the CSR programme a second time later in the year when employees from the Group contributed over RM1.5 million to the World Hunger Relief Fund. Staff from all levels of the business plus their families and members of the public took part in the annual “Be The Movement” charity walk, a five kilometre trek that started and finished in front of the Palace of Justice in Putrajaya.

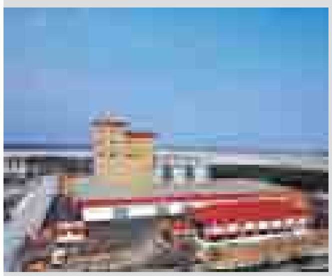
KFC Malaysia carried out its 46th-49th Projek Penyayang events in 2010, bringing happiness, festive cheer and lots of food, drink and goodies to over 12,800 less fortunate members of society from more than 150 charity homes across the country. A special party was held that brought together over 200 people from an assortment of charity homes to commemorate the annual event. The Group also donated money from KFC’s Tabung Penyayang Fund to the homes.

In 2010 the Group accepted an invitation to support the Children's Safety Campaign initiative held as part of the International Children's Day celebration. On that day 3,200 set meals and goodie bags were provided to the event's young participants.

As part of the Group's drive to promote a healthy lifestyle among the nation's young people, KFCH returned as title sponsor for the 2nd annual KFC Lumut Open Regatta. A total of 238 sailors from 25 teams competed under sunny skies, vying for the chance to win the exciting event. Several international teams made the journey to Lumut to participate in the regatta. These included the Tamil Nadu Yacht Club, Royal Madras Yacht Club, Hebe Haven Club Hong Kong as well as Malaysia's National Paralympics Team.

Over in Brunei the KFC Brunei team participated in a special CSR initiative in conjunction with His Majesty the Sultan of Brunei's birthday. A visit to the Pusat Ehsan children's centre was organised in which the team brought lots of finger lickin' good treats for the kids as well as a charitable donation of B$3,000 which was presented to the centre's management team.

The playoff rounds of the annual Catur Bistari Challenge took place in various states throughout October and November. Designed in line with the Group's CSR pillar of encouraging entrepreneurial development, the Catur Bistari board game provides a platform for youngsters to test their business skills through a challenging cycle of asset and wealth accumulation tasks. Players are rewarded for entrepreneurial flair and competition gets stiffer the further they progress through the competition. The grand finals took place on 11 January 2011 at the Putrajaya International Convention Centre.



AWARDS & RECOGNITION

KFCH and its subsidiaries won a number of awards for their performance during 2010.

KFC was bestowed the "Yum! Reel Advertising Excellence Award ('New Discoveries')" from Yum! Asia Franchise Pte Ltd (Yum! Asia) and the "Reader's Digest Most Trusted Brands" award from Reader's Digest. It was also honoured with the "Silver Award" at the Putra Brand Awards, an annual event organised by the Association of Accredited Advertising Agents Malaysia as well as the "Best Brands in Food and Beverage – Fried Chicken" 2009/2010 award from the BrandLaureate.

A great year for Ayamas was cemented by winning the prestigious 2009/2010 BrandLaureate award for "Best Brands Product Branding – Consumer Chicken Based Products" category. They were also the proud recipients of two awards from the Malaysia Women's Weekly magazine's Domestic Diva Awards 2010 Best in Home & Food. Ayamas Golden Nuggets won "Straight From The Fridge: Best Ready-To-Fry-Frozen Meat", and Ayamas Premium Cheese Chicken Frankfurters won under the "Best Processed Meat" category.

2011 ENHANCEMENTS PREVIEW

Continued economic recovery is being predicted for the ASEAN region by the International Monetary Fund (IMF) and the World Bank, though at more modest rates of growth than were experienced during 2010. Further afield, advanced economies such as those in Europe and the US will also improve, albeit at a more gradual pace than emerging and developing economies. The Malaysian Institute of Economic Research (MIER) has forecasted a 5.2% rise in GDP for 2011 – assisted by strong domestic demand stimulated by supportive Government policy measures. However, growth will be somewhat tempered by structural impediments in net exports.

CORPORATE STATEMENT

KFCH's board-approved five year plan will serve to guide the Group's progress in 2011. This holistic strategy will see an increase in market share through the opening of new restaurants across the territories in which the Group operates, the aggressive marketing of new products and promotions to drive transactions and brand awareness, and the delivery of exceptional customer service at every opportunity. KFCH's adherence to the five year plan will move the Group closer to its goal of becoming the leading integrated food services group in the Asia-Pacific region.

A new approach to restaurant expansion in Malaysia will be adopted in 2011, where it is projected that a minimum of 23 stores will be opened during the year. The Group will focus on the penetration of mid-sized towns, especially in East Malaysia and the east coast of Peninsular Malaysia. Of these 23 restaurants, a larger than usual ratio will be drive-thrus, as the Group looks to provide greater convenience for our customers. In Singapore, an improving economy has provided a platform to expand the restaurant network by five new stores by the end of 2011.

The year ahead will also see Brunei's first KFC drive-thru opened, giving consumers there the same level of convenience Malaysian consumers have come to expect. KFC India is planning to open another nine restaurants during the year, bringing the total number to 16.

Innovation will be a hallmark of the coming year. New products and promotions launched in restaurants and in the frozen food market will drive revenue growth. KFC restaurants in Malaysia will launch the newly developed Krushers ice drink. Similar to the famous Slush Puppie, Krushers strongly appeals to the youth market.

Expansion of the Kedai Ayamas restaurant chain will increase in 2011. 25 new outlets will be opened in Malaysia, including a new foothold in Sabah, East Malaysia, as a result of the Kedai Ayamas-Rastamas JV. The people of Singapore and Brunei will also have access to a regular supply of Kedai Ayamas products as the Group opens new convenience outlets in these countries under the names "Ayamas Shoppe" and "Kedai Ayamas", respectively. The Group expects a total of 75 Kedai Ayamas operating outlets in the region by the end of 2011.

KFC Marketing will contribute more to the Group in 2011 by expanding their trading services. Up to the end of 2010 only internally-produced products were sold to the open market by KFC Marketing. Beginning 2011, a range of third party products will be distributed and traded in order to boost sales and profitability.

Increasing internal and external market demand for mayonnaise and sausage products led the Group to expand upstream operational capabilities in 2010. RFI commissioned a new mayonnaise plant with a production capacity of 200MT/month and AFCSB increased the capacity at its sausage production facility to 800MT/month. In 2011 the Group will focus on growing sales in these two areas. Innovative new products will be developed to capture attention while other ventures in the Group, such as Roti Impit, will naturally drive up sales as they become more popular.

Student intake numbers will rise at KFCH College in 2011, across both the Bandar Dato' Onn campus and the Puchong campus. By the end of 2011, 1500 students will be receiving an international-class education at the Bandar Dato' Onn campus, while capacity at the Puchong campus will rise to 800 students. The next phase of development of the Bandar Dato' Onn campus will also get under way.

In line with the Group's aim to be the leading integrated food service group in the Asia Pacific region, a proactive search for growth opportunities will be undertaken, whether they be organic or through acquisitions.

In closing, KFCH offers an optimistic assessment of performance in 2011. The Group is on track to achieve another year of positive growth. The economy is performing well and strategic initiatives instigated in 2010 are taking effect. To offset the expected rises in commodity prices caused by drought and flooding in supplier nations, the Group is launching various initiatives to develop and introduce new value-for-money products to increase customer frequency across the Group's outlets, and is confident that this will translate to another set of laudable results.

ACKNOWLEDGEMENTS

2010 has been a year of significant success for the Group and for this we would like to express our appreciation to the people who have made it possible.

On behalf of the Board, we would like to extend our heartfelt gratitude to the Group's previous Chairman, YBhg Tan Sri Dato' Muhammad Ali Hashim for his guidance and positive contribution. We wish him success in the years to come.

We would also like to take this opportunity to welcome Yang Teramat Mulia Paduka Seri Pengiran Anak Puteri Hajah Amal Jefriah Binti Almarhum Sultan Haji 'Omar' Ali Saifuddien as she takes her place as the newest member on the Board of Directors for KFC Brunei. We look forward to working with HRH and wish her every success.

We thank our customers and shareholders for their ongoing trust and support. The KFCH business has been built with them in mind and we will continue to improve and build value in the years to come.

A sincere thank you to every employee of the Group for the enthusiasm and talent they have shown in driving the business forward.

Finally, we would like to express our appreciation for the advice and assistance of our fellow members of the Board of Directors and the senior management team of KFCH.

Driven by the dedication of all its staff and stakeholders, the Group looks forward to another successful year in 2011.

KAMARUZZAMAN ABU KASSIM
Chairman

AHAMAD MOHAMAD
Deputy Chairman

JAMALUDIN MD ALI
Managing Director

REVIEW OF OPERATIONS

Customers are the priority in every action the Group undertakes

2010 has been a year of strong performances across KFCH. At the end of the first year of a new decade, the Group remained the largest quick service restaurant chain in Malaysia, and our presence in India provided unrivalled opportunities for expansion. An improving economy coupled with a series of imaginative new products has attracted more customers through our doors, while enhancements to upstream infrastructure now provide the impetus for future growth.

FIRM FOUNDATIONS

The success of KFCH is built upon robust foundations. These foundations support the three key pillars of the Group's success: customer satisfaction, restaurant expansion and human capital development. In 2010 the Group strengthened all three areas, positioning KFCH to perform even better in the years ahead.

Customer satisfaction was paramount at restaurant level, where a series of new products and eye-catching promotions were launched to draw people in. These efforts were the driving force behind an increase in consumers' top-of-mind brand recall, while also serving to boost transactions. Simultaneously, there was aggressive restaurant expansion across Malaysia, the bedrock of the Group's operations, while in India new KFC restaurants performed well, making the Group's foothold secure. In addition, during the year, a series of human capital development programmes continued to nurture staff abilities, empowering them to fulfil their true potential.


KFC

KFC MALAYSIA

By the end of the year, KFC Malaysia had achieved its best results ever. Revenue climbed 9.6% on the previous year to reach an all time high of RM1,496.9 million. 2010 was also a landmark year, marked by the opening of the 500th KFC restaurant in Malaysia.

Brand building is something KFCH does every day. It is there in the way customers are greeted as they walk into our restaurants, it is there in the way the packaging looks, and it is there in how good the products taste. Essentially, the Group focuses on anything that can affect how a customer feels about KFC. The first step in brand building is raising brand awareness, and that is something KFC Malaysia went all out to achieve during 2010.

A thematic campaign was developed to build top-of-mind brand recall among the Malaysian public. The theme of the campaign was "New Discoveries, Classic Taste", and it touched on "New Discoveries" in KFC while capitalising on customers' familiarity with KFC's Colonel's 11 herbs and spices. Another benefit derived from the thematic campaign was the enhancement of the Group's brand proposition that KFC is Malaysia's premier quick service restaurant. A new meal called the Colonel's Royal Briyani Combo was introduced in conjunction with the thematic campaign to drive transactions at the restaurant level.

Attracting a new generation of consumers to KFC is an important component of the Group's annual products and promotions calendar. Three activities in this area contributed to the success in drawing in the youth segment market. At the start of the year, KFC Malaysia re-launched the Zinger Tower with a snappy new chilli lime sauce specially created to appeal to youngsters. Later in the year, a meal tie-in was created in conjunction with Iron Man 2, the major franchise movie which was a big hit in Malaysia. The meal, KFC Showtime Box Meal – Iron Man, proved extremely popular with youngsters and had them visiting our restaurants in greater numbers. The Group also released a new product called the KFC Toasted Pocketful, a Mexican inspired treat made up of our special chicken fillet, tortilla chips, salad and a crispy piece of chicken crisp all held together in a tortilla wrap and then toasted.

A series of other promotions were launched through the year to drive transactions across the restaurant segment. A special KFC Variety Bucket was introduced during Hari Raya to capitalise on high spending patterns during this festive period. Another round of our popular Jom Jimat promotion was released towards the end of the year, specially created to appeal to customers looking for a great meal at affordable prices. We also took cognisance of market conditions with strategic releases such as the Cheesy Zinger Crunch, a great tasting chicken burger to capture a bigger slice of the burger segment.

To enhance our brand image as a modern quick service restaurant chain, 47 restaurants underwent image enhancement works to improve ambiance and modernise their appeal. We also introduced sauce dispensers in 152 restaurants in the Klang Valley and major towns and cities in the states of Perak, Johor, Penang and Kuantan. Not only did this increase customer convenience, it also helped the Group to reduce operating costs.

As of 31 December 2010, KFC Malaysia had opened 40 new outlets bringing the total to 515 restaurants nationwide.

REVIEW OF OPERATIONS

KFC SINGAPORE

In KFC Singapore, revenue increased by 7.6%, or RM25.9 million, to a high of RM368.6 million for the year. This record achievement was due to an aggressive promotional calendar, a series of operational changes such as increased opening hours, and an economy so resurgent it took many economists by surprise. The economic recovery also saw the reduction in value of the Government's Jobs Credit Scheme cash grant and the cessation of rental rebates, worth a total of RM5 million.

A concerted effort was made throughout the year to establish KFC as a premier destination for breakfast. To help raise awareness of the Group's breakfast segment and to drive sales, popular food critic K.F. Seetoh was engaged to front a show for KFC a.m. Television crews filled our KFC Kallang restaurant where 15 contestants discovered, on camera, what made this breakfast range so special. The programme was aired on Channel 8 on 28 March as a one hour special. The use of a food connoisseur helped to influence the opinions of Singaporeans and created a much greater awareness of KFC a.m. As a result, we hit a high of 11% sales mix and on the Good Friday weekend we achieved record sales of over RM133,000 in a single day. In overall terms, our breakfast segment sales jumped 41.3%.

An island-wide favourite made a return in 2010. Hot Devil drumlets, this time with two new and exciting flavours, was re-launched to an eager public in July. This promotional product had been around before and it was well known to customers so the main thrust of the media campaign was conducted via press and coupon maildrops/ newspaper inserts. The Group also tied up with Nescafe and the movie "The Last Airbender" to extend the appeal of Hot Devil drumlets to Singapore's youth market.

A first for KFC Singapore was the October debut of the KFC Roasta Burger. The Group's first ever oven-roasted burger came with a marinated oven-roasted chicken fillet, crunchy lettuce and juicy tomatoes topped with a signature sauce in an oat-bran dusted bun. The KFC Roasta Burger was launched in 67 of our 77 stores with two promotional meals, the KFC Roasta Promo Meal and KFC Roasta Buddy Meal. An extensive media campaign was conducted to raise awareness and drive transactions for the new product, including the use of a hologram resembling a giant oven with an image of the Roasta Burger inside. The holograms were strategically placed at high traffic areas to generate buzz.

Other promotions which generated buzz during the year included the Ultimate Value Box, KFC Black Pepper Chicken, the 100-hour movie marathon and Popcorn Shake, and the Ole Ole Box and Ole Ole Feast, two types of packs that were marketed to football fans during the FIFA World Cup.

As of 31 December 2010, KFC Singapore had opened three new restaurants with three closures, maintaining the number of stores at 77 across the island.

Expanding the network's reach

KFC BRUNEI

Revenue for KFC Brunei increased 5.7% to RM16.3 million for the year, up from RM15.5 million in the previous year.

2010 saw a number of brand-building initiatives designed to raise awareness of KFC and increase transactions. The KFC Brunei team engaged in site-selling at events such as consumer fairs, university expos, carnivals and forums. In-store parties also helped to raise revenue as well as raise awareness that KFC is a fun and youth-friendly place to visit. A number of promotions attracted attention this year including the Megamix Crunch, Hot & Spicy Shrimps and Jom Jimat Afternoon Cravers.

As of 31 December 2010, nine restaurants were operating in Brunei, consistent with last year.

KFC INDIA

The first year of operation has been positive for KFC India, with revenue reaching RM6.2 million. Revenue growth started moderately but quickened in line with new restaurant openings.

KFC restaurants have been in existence in India for more than a decade but at a much lower concentration than in Malaysia. Consumers are still somewhat sceptical about our vegetarian credentials. To get the message out to more than 40% of the Indian population who are vegetarian, a wide selection of meals and snacks was created for their consumption. Products such as the Veggie Feast, Veg Thali, Chana Snacker, Veg Fingers, Veg Zinger and Rizo-Rice all proved popular, and supported our traditional non-meat products such as fries and mashed potato. The Group's restaurants were also constructed with two kitchens, one specifically for the preparation of vegetarian meals.

KFCH is confident that the Group's foothold in the cities of Mumbai and Pune will provide excellent expansion opportunities. Positive progress is being made and an increasing number of customers are walking through our doors. The sheer size of the cities, Mumbai in particular, and their growing middle class, presents us with a fantastic growth opportunity.

As of 31 December 2010, KFC India had opened five new outlets; three in Mumbai, one in Aurangabad and one in Pune, with two acquired in Pune, resulting in a total of seven operating outlets.

REVIEW OF OPERATIONS

RASAMAS & KEDAI AYAMAS

Revenue for RasaMas increased 7% to RM24.9 million by the end of the year. A series of new products and promotions was the driving force behind the increased transactions. Following the popularity of the TV3 Syoknya RasaMas cookery competition that aired in 2009, a number of the Roaster dishes that featured on the show were released as menu items within the RasaMas restaurant chain. These included the Warisan Roaster, the Roaster Lada and the RasaMas Muhibah Roaster.

As of 31 December 2010, a total of 42 stores were operating across Malaysia and Brunei.

Kedai Ayamas registered an impressive 36% increase in revenue, from RM40.5 million in 2009 to RM55.1 million by end of 2010.

Network expansion was a key component of Kedai Ayamas' revenue growth. The increasing demand for KFCH's products enabled the Group to expand territorially and reach out to a larger segment of Malaysian society. To drive transactions a new group of products was launched through the year including Chicken Satay with Peanut Sauce, Chicken Donut, Premium Jumbo Drummets and two types of Poppers.

As of 31 December 2010, 14 new Kedai Ayamas stores were opened bringing the total to 49 across Malaysia.

INTEGRATED POULTRY OPERATIONS

The Group's Integrated Poultry Operations segment grows from strength to strength. Revenue, including intercompany sales, climbed to RM1,294 million for the year. This represents a 7% increase over the previous year.

Ayamas Food Corporation Sdn Bhd (AFCSB) processing plants accounted for the bulk of the revenue increase, up by 3.5% on 2009 levels. The key reason for this revenue rise was higher order volumes from our expanding restaurant chains and stores: Pizza Hut, KFC, RasaMas and Kedai Ayamas.

Revenue at KFC Marketing grew 10.7% to reach RM221.4 million by year end. A sizeable portion of revenue was contributed by the domestic open market, which saw higher sales this year. Higher export sales totalling RM5.3 million also served to boost revenue. The first full year's operation of our "Ayamazz Roti Impit" hot dog carts was another growth driver. This initiative sees Ayamas products sold in and around universities, colleges and polytechnics across Peninsular Malaysia.

FEEDMILL DIVISION

Results in the Feedmill division have been positive. Turnover improved by 8.5% for the year. An increase in the Group's chicken requirements led to the manufacturing capacity being upgraded to 136,000 metric tonnes, up from 131,000 metric tonnes in the previous year. A cautionary note sounded late in the year when commodity prices rose by 15-20% due to drought and flood conditions occurring in the countries of origin.

BREEDER FARMS & HATCHERY

The production totals of Hatchable Eggs and Day Old Chicks remained steady in comparison to last year as the division has been operating at full capacity for the past two years. On an infrastructure note, an initiative to upgrade a number of breeder houses from dip litter flooring system to 2/3 slats flooring was 60% completed during the year.

ANCILLARY OPERATIONS

The Group's ancillary operations continued to register turnover growth in the year.

SAUCE MANUFACTURING

2010 was another successful year for RFI, the division which manufactures sauces for the Group and the external market. Revenue for the year reached RM89.9 million, an increase of 15.8% over the prior year. Performance in the domestic open market was particularly strong, with a 20% rate of growth. A healthy growth of 12% was registered in the export market.

In line with the Group's vision for RFI to become one of Asia's leading sauce manufacturers, production capacity at its plant was increased to about 20,000 metric tonnes, up from the previous capacity of about 17,800 metric tonnes. RFI has also completed work on an upgraded mayonnaise plant which will allow it to compete for a larger segment of the region's growing mayonnaise market.

BAKERY & COMMISSARY

Six new products were launched by the Bakery division during the year. Four of these were supplied to internal customers with the remaining two to external customers. Production at the bakery plant was also increased to meet demand from the Group's restaurant segment, about 72 million buns were produced in 2010.

The Bakery division's quality assurance received a boost during 2010, firstly by being recertified as Hazard Analysis Critical Control Point (HACCP) compliant. Secondly, the Bakery was certified ISO compliant through the award of an ISO9001-2008 (Quality Management System).

On the Commissary front, coleslaw production rose to 1.96 million packets, a 5% increase over the previous year. The Commissary plant also worked to improve its operations facility by upgrading the secondary stage of the pre-process floor at its Coleslaw Line.

TEPAK MARKETING

An impressive year for Tepak Marketing Sdn Bhd led to revenue climbing 21% to RM24.9 million for the year. The lion's share of its revenue came from contract manufacturing activities in relation to Lipton tea products.

REVIEW OF OPERATIONS

KFCH INTERNATIONAL COLLEGE

The Puchong campus of KFCH College currently serves approximately 200 students, attending courses across a range of disciplines. The diverse syllabus provides education in Information Technology, Business Administration, Hotel Management, Early Childhood Education and Electrical and Electronics Engineering. A number of graduating students will be offered employment opportunities within the Group.

HUMAN CAPITAL DEVELOPMENT

KFCH employs over 22,000 staff across Malaysia, Singapore, India and Brunei, making it one of the largest food sector employers in the region. Every year the Group pursues a modern, holistic approach to human capital development to boost the skill and ability of its employees. To this end KFCH invested approximately RM5.1 million on a programme of training and development initiatives in 2010. Employees from across the Group received an average of 67 hours of training per person for the year.

Occupational Health and Safety (OSH) training occurs in most areas of the Group, though primarily at the restaurant level as well as at our farms and manufacturing sites. Besides protecting staff, adherence to OSH standards benefits the Group through the reduction of business costs associated with insurance premiums and reduced levels of business disruption due to employee absences. At the restaurant level, staff undergo the Group's Hazard Identification, Risk Assessment and Risk Control (HIRARC) programme, a training initiative which has been specifically designed to impart the importance of, and skill in, these areas. Employees who belong to Emergency Response Team (ERT) are also given in-depth training in first aid techniques and equipment use. Managers and

supervisors at the Group's farm and manufacturing levels are instructed in chemical handling, while general staff undergo safety training programmes on a regular basis.

Employees who are promoted from within the ranks of the Group undergo a rigorous training initiative called Preparation & Enhancement Programme (PReP). PReP serves to enhance competence in a range of key areas such as Business Communication, Basics on Occupational Safety & Health and Management, Supervisory Skills, Employment Law and Finance & Basic Accounting. PReP training is given in line with Career Progression Training Needs, another initiative the Group uses to prepare employees for greater responsibility. Every employee in the 2010 PReP intake successfully completed the programme.

Advanced training is imparted through the Group's Education Sponsorship Programme, for which an allocation of RM1 million per year is made available. The programme is available to selected employees based on performance and Group requirements. Selected candidates are provided with opportunities to pursue various types of external certification, such as diplomas and university degrees. From the 16 employees in the 2010 intake, one is taking an Executive Masters in Business Administration while the remaining 15 are pursuing Diplomas in various studies, including short certification courses such as Safety and Health Officer programmes. From the RM1 million allocation, approximately RM128,000 was invested in the Education Sponsorship Programme during the year.

Every year KFCH employees attend Hari Mekar, an annual quality convention organised by JCorp. The event is organised along two lines. The first drives performance among employees through training and open discussions. The second aspect of Hari Mekar provides a competitive platform in which teams from across the Group are challenged in the disciplines of Innovative Creative Circle, Cempaka (Suggestions and Ideas), and Poster Design.

In order to promote and inculcate a quality culture in the Group, KFCH has introduced an incentive scheme for employees in which monetary rewards are given for identifying possible cost-saving projects. A total of 16 of these projects were implemented, resulting in cost savings of about RM1.56 million for 12 consecutive months calculated from the date of implementation.

HALAL COMMITMENT

Strict *halal* compliance is a guarantee KFCH makes in all its Group's markets. To help KFCH achieve compliance we adhere to a stringent set of controls across the entire chain of our food manufacturing processes, from raw materials procurement and manufacturing to packaging, storage, transportation and utensils. Imported products must be *halal* certified within their source country, and foreign suppliers are regularly inspected by officials from the Group's Shariah Advisory Council.

Membership of our Shariah Advisory Council is confined to prominent scholars from Islamic institutions. The council verifies KFCH's *halal* compliance after scrutinising every part of the food chain. Ingredients are checked, equipment inspected, restaurants and factories are toured and processes are reviewed. Only after the council is satisfied will the Department of Islamic Development Malaysia (JAKIM) be called in to repeat the process. Our products are then branded by JAKIM as being fully *halal* compliant.

Reporting directly to the Shariah Advisory Council is the internal Shariah & Halal Department. The department creates awareness and a deeper understanding of *halal* among stakeholders, including from within the Group. A myriad of activities are undertaken to this end, including *halal* auditing of all existing and prospective suppliers, *halal* awareness training given to all staff, and the strengthening of media and NGO relationships among others. The Shariah & Halal Department operates as the first response unit for the Shariah Advisory Council, and as such is a vital part of the Group's *halal* commitment.

LOOKING FORWARD

Year upon year, the popular appeal of the Group's products increase. Year upon year, the Group's restaurant network expands. Year upon year, the growth story continues, underpinned by strong financial resources and a sound business philosophy that combines strategic intelligence with a profound sense of corporate responsibility. As we look ahead, the Group is confident that the next chapter of the Group's story will be as replete with achievements and successes as anything that has gone before, and that KFCH will continue, year upon year, to grow from strength to strength.

A Caring Touch

In line with the Group's Corporate Social Responsibility programme, a massive effort was made to improve the lives of those members of society who needed it most. Orphans, disabled, the elderly, impoverished and the hungry were helped via a wide range of initiatives.

CORPORATE SOCIAL RESPONSIBILITY

The CSR segment of Malaysian businesses is a rapidly expanding area. It is no longer just a component part of corporate plans but has taken on a life of its own. CSR at KFCH has grown by leaps and bounds.

Underpinning our CSR initiatives is a realisation that everything we do has significant ramifications. We are constantly aware that the Group's practices and every action we take have the power to affect the company, its stakeholders and society at large to a greater extent than ever before.

Because of this, the Group takes social responsibility very much to heart. For KFCH, it is all about strengthening local communities, promoting equal opportunities in the workplace, developing human capital, enhancing our customers' experience and improving the lives of those around us. The Group is passionate about CSR.

Community

Malaysia has long been the greatest beneficiary of the Group's overall CSR programme. Areas of focus are spread across the fields of education, environment, *halal* principles, sport and, most importantly, helping the less fortunate in the community. In this area, many orphans, single mothers, the elderly and impoverished members of society have benefitted from the Group's CSR initiatives over the years.

CATUR BISTARI CHALLENGE AND CATUR BISTARI D'TV

Now in its third year, the KFC Catur Bistari Challenge 2010/2011 received an overwhelming number of participants from all across Malaysia, each eager to test their mettle in the competition. More than 1,000 participants made it through the state playoff rounds, held in October and November, to reach the eagerly anticipated final round, including individuals from government agencies, the private sector, higher educational institutions, schools and uniformed bodies. Finalists came from all walks of life but all were united in their desire for success. At stake was a chance to win RM150,000 worth of prizes, with the grand prize being a brand new Proton Persona. We were also part of the highly rated television game show programme, Catur Bistari D'TV, which attracted huge audiences.

BRINGING CHEER TO THE CHILDREN

Helping children is of paramount importance to the Group. In 2010, to mark International Children's Day celebrations, KFC supported the Children's Safety Campaign by giving out food and goodie bags to the more than 3,200 children attending the event.

SPORTS

Promoting a healthy lifestyle is one of the pillars of our CSR programme and one of the ways we achieve it is to partner with sporting teams and events. This year KFCH helped to promote the healthy lifestyle message far and wide through its ongoing sponsorship of Johor FC as well as our support of the Malaysia Super League. The Group was also a major sponsor of the 13th SUKMA Games, which this year was held in Melaka. At a local level, the Group's futsal teams took to the court for the championship of the Harian Metro-organised I-Futsal tournaments.

Another of the Group's sponsorship beneficiaries is the Malaysian Yacht Association, which this year held regattas throughout the country, including Langkawi, Penang and Negeri Sembilan. Teams from as far away as Australia, New Zealand, Brazil, Mexico, USA, South Korea, Cambodia, Sri Lanka, India and Hong Kong were invited to take part in these thrilling racing regattas. Elsewhere, one particular highlight of the 2010 sporting calendar was seeing the KFCH kite soar high at the International Kite Festival in Bandar Dato' Onn, Johor.

MUSIC

An exciting development in our CSR programme saw KFCH work on events with the Malaysia World Marching Band Competition, the Malaysia National Band Competition and the Wind Orchestra Competition. At the events, talented Malaysian marching bands from schools around the country competed in front of throngs of spectators. A number of internationally renowned marching bands also wowed the crowds.

KFC'S FEEDING PROGRAMME

KFC's Projek Penyayang is now in its 17th year and has become one of the Group's most important and beneficial CSR initiatives. This year more than 12,800 less fortunate members of society, in more than 150 charity homes, were provided meals and good cheer from KFC teams. Of this number, over 11,000 were from Peninsular Malaysia while the remainder were from Sabah and Sarawak.

"BE THE MOVEMENT" CHARITY WALK

KFC took part in the World Hunger Relief Programme for the fourth year running in 2010. From August to September, every KFC restaurant throughout Malaysia helped contribute to the nationwide charity programme. Staff from all over the KFCH Group, along with their families and members of the public joined together for the "Be The Movement" charity walk, which took place in Putrajaya. This year, through in-store activities and the "Be The Movement" charity walk, the Group contributed to raising over RM1.5 million in donations.

MALAYSIAN ARMED FORCES

The Group's support for the men and women of Malaysia's armed forces was extended in 2010. Working hand in hand with the Malaysian Government, KFCH provided food and other vital supplies to more than 14,000 members of the military serving within the country and overseas.

CORPORATE SOCIAL RESPONSIBILITY

KFC'S HEARING IMPAIRED COMMUNITY CARE STORES

The pioneering efforts of KFC Malaysia to provide speech and hearing impaired members of the community with an opportunity to operate KFC restaurants has been recognised the world over. The first such store, run entirely by speech and hearing impaired employees, was opened in 1986. Now, 25 years later, there are four similar restaurants operating in Malaysia, providing 60 staff with an opportunity to be independent. The latest restaurant was opened in Taman Masai, Johor in November of 2010. The project is a source of immense pride to the Group and serves as a highlight of our CSR programme.

TABUNG PENYAYANG KFC

The Group's Tabung Penyayang KFC was set up back in 1997 to streamline our CSR efforts in helping children and the needy through various programmes and initiatives. Funds for this initiative are generated in two ways. Firstly, ten cents from every Chicky Meal sold are donated to the fund. Secondly, collection boxes are strategically located within every KFC restaurant nationwide, thereby encouraging customers to contribute to the fund. Tabung Penyayang KFC continued to make regular contributions to local charities or support various CSR programmes.

TIJARAH RAMADHAN

In 2010, KFCH was honoured to sponsor three episodes of Tijarah Ramadhan, a national television programme which highlights companies that donate to less privileged members of the community. These episodes highlighted the plight of three poverty-afflicted families from Perak, Sabah and Melaka. Representatives from KFC, RasaMas and Kedai Ayamas visited these families and extended donations in the form of cash and kinds.

Marketplace

HALAL INITIATIVES

Strict *halal* compliance is a vital component in the continued success and popularity of our products, and an integral part of the Group's DNA. Our employees, systems and equipments constantly maintain the most rigorous of *halal* standards and our *halal* compliance is something we are honoured to guarantee to our customers.

KFCH once again participated in Malaysia's largest food and beverage exhibition, the Malaysian International *Halal* Showcase (MIHAS). The exhibition, considered the world's largest international *Halal* trade fair, was hosted by the Ministry of International Trade and Industry (MITI) and organised by the Malaysia External Trade Development Corporation (MATRADE). The KFCH booth was used to promote our *halal*-certified products and services to the thousands of visitors from all over the world.

KFCH was again a key participant in the *Halal* Food Standards Realisation (HAFSTAR) programme, which is organised throughout the country. HAFSTAR has been developed by the *Halal* Development Corporation (HDC) and the Department of Standards (SIRIM) to promote Malaysian *halal* standards. Topics of discussion included ways to standardise the procedures for the handling, processing and storing of food based on shariah and Malaysian standards.

ENTREPRENEUR DEVELOPMENT

The Group is passionate about igniting an interest in business and entrepreneurial development amongst university students. One method of kindling this interest is through the Gerak Usahawan Siswa lecture programmes, held at over 30 institutes of higher learning around Malaysia.

Another of the Group's educational initiatives is the collaboration with Bistari Young Entrepreneur Sdn Bhd in a series of mentorship programmes and educational lectures that help develop young Malaysian entrepreneurial talents. This includes the Tunas Bistari, Didik Bistari and Siswa Bistari Entrepreneur Programmes.

Workplace

The Group's employees currently number about 22,000 and with ongoing operational expansion this figure will grow in the coming years. The superb performance of our employees is one of the key reasons for the Group's continued success. To reward our staff and to develop them personally and professionally, a number of human capital development initiatives took place over the year.

RESTAURANT MANAGERS' CONVENTION

A well deserved reward was given to all KFC restaurant managers in 2010 as they were flown to Club Med, Bintan, Indonesia, for the Group's annual Managers Convention. The itinerary included various rounds of awards and recognitions after which the managers took time out to enjoy the wonderful weather and various outdoor pursuits.

PEDOMAN 2010

The Group's annual Pedoman event was once again held at Persada Johor International Convention Centre in Johor Bahru. Restaurant managers from KFC, Kedai Ayamas, RasaMas and other operational units nationwide took part in the event. Highlights of the programme included financial reviews of the Group and its brands, presentations on human capital development, and the signing of Key Performance Indicators (KPIs). KFCH also took the opportunity to applaud staff who received promotions during the year, while long serving employees were recognised for their loyalty and commitment with saving bonds from BSN.

CORPORATE SOCIAL RESPONSIBILITY

CHAMPS CHALLENGES

KFC once again organised the National Champs Challenge, this year held in Johor Bahru. Fierce competition from restaurant managers and staff made for an epic final round, with everyone competing for the chance to emerge as National Champions and represent Malaysia at the Regional Champs Challenge held in Manila, the Philippines. In Manila, some 400 participants from 11 countries in the Asia Pacific region vied for pole position.

MANAGEMENT ASSOCIATES PROGRAMME

One educational initiative in our human capital development programme is the Management Associates Programme. The initiative involves identifying and training young Malaysian graduates who have the talent and go-getting attitude needed to become part of the Group's management structure.

HARI MEKAR – QUALITY DAY

Members of the Group were hailed as Overall Champions for the fourth year running at the Grand Finals of the Hari Mekar organised by JCorp. Representing KFCH were the winning teams and individuals of the Group-wide annual Hari Mekar competition held at Port Dickson, Negeri Sembilan.

The Environment

Sustainable operations are of paramount importance to the Group and are a vital component in our CSR programme. KFCH regards meeting mankind's need for food, water and clean air as a shared responsibility, and the Group is constantly aware of the many ways in which our operations can affect the environment. In line with its commitment to environmental protection, KFCH is relentless in its efforts to minimise its environmental impact without compromising shareholder value or operational performance.

RECYCLING PROGRAMME

Via a strategic partnership with Mutiara Johor Corporation, KFCH carried out a recycling programme which was designed to educate local communities about the importance of recycling and to create awareness about healthy lifestyles and habits.

AYAMAS PORT KLANG

Ayamas Port Klang plant has had a waste water treatment facility since 1988. The facility treats the final discharge waste water in compliance with the Department of Environment Malaysia (DOE) Standard B for discharge. Since it first opened, the plant has been upgraded a number of times, at an estimated cost of RM5 million in total. The facility operates using two main waste water treatment processes – a Continuous Processor and a Sequential Batch Reactor (SBR) Process. The plant currently treats 2,000 cubic metres of waste water discharge per day.

AYAMAS BANDAR TENGGARA, JOHOR

In 2009, the Group opened the Ayamas Bandar Tenggara plant in Johor. The plant has a waste water treatment facility which treats the final discharge waste water in compliance with the DOE Standard A for discharge. Built at a cost of RM2 million, the facility uses only the SBR process, and treats 800 cubic metres of final discharge waste water per day.

BAKERY & COMMISSARY

The Group has constructed a waste water treatment plant at Kompleks KFC Glenmarie, the site which houses the Bakery and Commissary divisions. The RM1.5 million plant's inner system treats final discharge waste water in accordance with the DOE Standard B for discharge. The treatment process makes use of a Biological Treatment System, which comes with a Up-Flow Anaerobic Sludge Bed (UASB) and Alternative Intermittent Cyclic Reactor (AICAR).

REGION FOOD INDUSTRIES

Region Food Industries uses a waste water treatment plant which was commissioned and built in 2004. The plant employs a system that treats the final discharge waste water, complying with the DOE Standard B for discharge. The plant treats approximately 250 cubic metres per day using a chemical and biological treatment continuous processor.

Changing The Corporate Social Responsibility Scene

CSR at KFCH is constantly evolving, and the Group is well aware that these initiatives must be further expanded if the Group is to build a better world for all its stakeholders. We know that there is much yet to be done, and many unexplored avenues to travel; and we look forward to joining hands with the communities involved in our efforts to improve the lives of the needy among us.

Bringing Families Together

It's the simplest moments in life that mean the most. Bringing families closer together over a tender meal from one of the Group's restaurants is what means the most to us.

BOARD OF DIRECTORS

~ From Left to Right

HASSIM BIN BABA
DATIN PADUKA SITI SA'DIAH BINTI SHEIKH BAKIR
DATUK ISMEE BIN ISMAIL
AHAMAD BIN MOHAMAD
KAMARUZZAMAN BIN ABU KASSIM
JAMALUDIN BIN MD ALI
KUA HWEE SIM
TAN SRI DATO' DR YAHYA BIN AWANG

PROFILE OF DIRECTORS

Kamaruzzaman bin Abu Kassim, Malaysian, aged 47, is a Non-Independent Non-Executive Director and Chairman of KFC Holdings (Malaysia) Bhd ("KFCH"). He was appointed to the Board and Chairman of the Company on 12 January 2011. He is currently the President & Chief Executive Officer of Johor Corporation ("JCorp").

He graduated with a Bachelor of Commerce majoring in Accountancy from the University of Wollongong, New South Wales, Australia in 1987. He embarked on his career as an Audit Assistant with Messrs K.E Chen & Associates in May 1988 and later joined Coopers & Lybrand (currently known as PricewaterhouseCoopers) in Johor Bahru. In December 1992, he left the firm to join JCorp as Deputy Manager, Corporate Finance Department. He was later promoted to become the Executive Director at Damansara Realty Berhad (a company of which JCorp is the majority shareholder) in 1999 until September 2006. He was appointed as the Chief Operating Officer of JCorp on 1 August 2006 and was later appointed as the Senior Vice President of JCorp on 1 January 2009. He was appointed the President & Chief Executive Officer of JCorp on 1 December 2010.

KAMARUZZAMAN BIN ABU KASSIM
Non-Independent Non-Executive Director
Chairman

He is also the Chairman of Damansara Realty Berhad, Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, QSR Brands Bhd, Sindora Berhad and Director of Waqaf An-Nur Corporation Berhad. He also sits as Chairman and Director of several other JCorp Group of Companies.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. He has no personal interest in any business arrangement involving KFCH. He has not been convicted for any offences.

As Tn Hj Kamaruzzaman was appointed as the Director and Chairman on 12 January 2011, he did not attend any of the Board Meetings of the Company held during the financial year ended 31 December 2010.

PROFILE OF DIRECTORS

Ahamad bin Mohamad, Malaysian, aged 57, is a Non-Independent Non-Executive Director and the Deputy Chairman of KFC Holdings (Malaysia) Bhd ("KFCH"). He was appointed to the Board on 27 June 2006 and as Deputy Chairman on 2 July 2006.

He graduated with a Bachelor of Economics (Honours) degree in 1976 from the University of Malaya. He joined Johor Corporation ("JCorp") in June 1979 as a Company Secretary for various companies within the JCorp Group. He was involved in many of JCorp's projects; among others are the Johor Specialist Hospital, prefabricated housing project and the Kotaraya Complex in Johor Bahru. At present, he is the Chief Executive of the Palm Oils Division of JCorp. He is presently the Managing Director of Kulim (Malaysia) Berhad, a member of the Board of Directors of KPJ Healthcare Berhad and New Britain Palm Oil Limited (Papua New Guinea). He was appointed as a Director of QSR Brands Bhd ("QSR") on 7 June 2006 and as the Deputy Chairman of QSR on 8 June 2006. He is also a Chairman and Director of several other companies within the JCorp Group.

He is the Chairman of the Executive Committee of KFCH. He is also active as the Vice Chairman of the Malaysian Islamic Chamber of Commerce ("MICC") Corporate Bureau, President of the Johor Football Club and Director of Waqaf An-Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp Group's CSR programmes, including the unique Corporate Waqaf Concept initiated by JCorp.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. He has no personal interest in any business arrangement involving KFCH. He has not been convicted for any offences.

He attended five (5) out of six (6) Board Meetings of the Company held during the financial year ended 31 December 2010.

From Left to Right

AHAMAD BIN MOHAMAD
Non-Independent Non-Executive Director
Deputy Chairman

JAMALUDIN BIN MD ALI
Managing Director

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Jamaludin bin Md Ali, Malaysian, aged 53, is the Managing Director of KFC Holdings (Malaysia) Bhd ("KFCH"). He was appointed to the Board on 27 June 2006 and as Managing Director on 2 July 2006.

He graduated with a Bachelor of Economics (Honours) degree from University of Malaya in 1982 and Master of Business Administration from University of Strathclyde, Glasgow Scotland in 1987. He started his career with Malayan Banking Berhad as Trainee Officer in 1982 and later served as International Fund Manager in Permodalan Nasional Berhad in 1991. He joined Johor Corporation ("JCorp") in 1992 and was appointed the Managing Director of Johor Capital Holdings Sdn Bhd in 1998. He was appointed the Managing Director of Pelaburan Johor Berhad in 2000. Before his appointment as the Managing Director of KFCH, he was the Group Chief Operating Officer of JCorp since 2001. He is also an Executive Director of Kulim (Malaysia) Berhad and sits on the board of various companies within the JCorp Group. He was appointed as a Director of QSR Brands Bhd ("QSR") on 7 June 2006 and was appointed the Managing Director of QSR on 8 June 2006. He is also the Chief Executive Officer of KFCH.

He is a member of the Executive Committee of KFCH. He is also active as the Director of Waqaf An-Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp Group's CSR programmes, including the unique Corporate Waqaf Concept initiated by JCorp.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. He has no personal interest in any business arrangement involving KFCH. He has not been convicted for any offences.

He attended all six (6) Board Meetings of the Company held during the financial year ended 31 December 2010.

PROFILE OF DIRECTORS

Datuk Ismee bin Ismail, Malaysian, aged 46, was appointed to the Board of KFC Holdings (Malaysia) Bhd ("KFCH") on 1 March 2009 as a Non-Independent Non-Executive Director. He is an associate member of the Chartered Institute of Management Accountants and a member of the Malaysian Institute of Accountants.

Datuk Ismee is presently the Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji. Prior to that, he was the Chief Executive Officer of ECM Libra Securities and a Director of ECM Libra Capital Sdn Bhd. He has also served several organisations namely as Senior General Manager of Finance, Lembaga Tabung Haji; Chief Accountant at Pengurusan Danaharta Nasional Berhad; General Manager of Business Development at Arab Malaysian Development Berhad and has held several finance-related positions at Shell Malaysia.

Datuk Ismee is a director of BIMB Holdings Berhad, Syarikat Takaful Malaysia Berhad and TH Plantations Berhad. He is a member of the Nomination and Assessment Committee and Remuneration Committee of BIMB Holdings Berhad. He was appointed as a Director of Johor Corporation on 1 November 2010.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. He has no personal interest in any business arrangement involving KFCH. He has not been convicted for any offences.

He attended three (3) out of six (6) Board Meetings of the Company held during the financial year ended 31 December 2010.

From Left to Right

DATUK ISMEE BIN ISMAIL
Non-Independent Non-Executive Director

KUA HWEE SIM
Independent Non-Executive Director

~

Kua Hwee Sim, Malaysian, aged 58, was appointed to the Board of KFC Holdings (Malaysia) Bhd ("KFCH") on 27 June 2006. She is currently an Independent Non-Executive Director of KFCH.

She is a Fellow of the Association of Chartered Certified Accountant (UK) and a Registered Accountant of Malaysia and Singapore. She has more than thirty five years of corporate and financial experience in several industries within Malaysia and overseas. She is currently a Director of Kulim (Malaysia) Berhad and Sindora Berhad, which are Johor Corporation's subsidiaries listed on the Main Board of the Bursa Malaysia Securities Berhad. She was appointed as a Director of QSR Brands Bhd ("QSR") on 7 June 2006. She is the Chairman of Audit Committee of QSR and a member of Audit Committee of the respective listed companies. As a professional Accountant she also provides financial training for companies within Malaysia.

She is also the Chairman of the Audit Committee of KFCH. Other than as disclosed, she does not have any family relationship with any director and/or major shareholder of the Company. She has no personal interest in any business arrangement involving KFCH. She has not been convicted for any offences.

She attended all six (6) Board Meetings of the Company held during the financial year ended 31 December 2010.

PROFILE OF DIRECTORS

Datin Paduka Siti Sa'diah binti Sheikh Bakir, Malaysian, aged 59 was appointed to the Board of KFC Holdings (Malaysia) Bhd ("KFCH") on 1 January 2010 as a Non-Independent Non-Executive Director. Datin Paduka was also appointed as a Non-Independent Non-Executive Director of QSR Brands Bhd on 1 January 2010. Datin Paduka is presently the Managing Director of KPJ Healthcare Berhad (KPJ), a post she has held since 1993. She graduated with a Bachelor of Economics degree from the University of Malaya in 1974 and holds a Master of Business Administration from Henley Management College of London.

Her career with Johor Corporation (JCorp) commenced in 1974 and she has been directly involved in JCorp's Healthcare Division since 1978. Datin Paduka was appointed as the Chief Executive of Kumpulan Perubatan (Johor) Sdn Bhd (KPJSB), the holding company of KPJ in 1989 and held the post until the listing of KPJ.

Datin Paduka currently serves as the Chairman of various companies and hospitals in the KPJ Group. She is a Director of Kulim (Malaysia) Berhad, Damansara REIT Managers Sdn Berhad and Puteri Hotels Sdn Bhd. She is also a Director of Waqaf An-Nur Corporation Berhad, a non-governmental organisation dedicated to the provision of healthcare services to the less fortunate. Committed to promoting excellence in healthcare, Datin Paduka is the President of the Malaysian Society for Quality in Health (MSQH), elected since its inception in 1997 until today.

Datin Paduka has been Board member of MATRADE since 1999, a member of the Malaysia Productivity Council (MPC) Consultative Panel on Healthcare since 2001, and a member of the National Patient Safety Council, Ministry of Health (MOH) since 2003. Datin Paduka is also an Independent Non-Executive Director of Bursa Malaysia Berhad, elected since 2004.

In 2009, Datin Paduka was appointed as a member of the Malaysian Healthcare Travel Council, under MOH.

On 12 March 2010, Datin Paduka was named the CEO of the Year 2009 by the New Straits Times Press and American Express. The award was presented by YAB Dato' Sri Mohd Najib bin Tun Haji Abdul Razak, the Prime Minister of Malaysia.

Other than as disclosed, she does not have any family relationship with any director and/or major shareholder of the Company. She has no personal interest in any business arrangement involving KFCH. She has not been convicted for any offences.

She attended all six (6) Board Meetings of the Company held during the financial year ended 31 December 2010.

From Left to Right

DATIN PADUKA SITI SA'DIAH BINTI SHEIKH BAKIR
Non-Independent
Non-Executive Director

TAN SRI DATO' DR YAHYA BIN AWANG
Independent Non-Executive Director

Tan Sri Dato' Dr Yahya bin Awang, Malaysia, aged 61 was appointed to the Board of KFC Holdings (Malaysia) Bhd ("KFCH") on 2 May 2008 as an Independent Non-Executive Director.

One of the Colombo Plan Scholars, Tan Sri graduated from Monash University in Australia with a Bachelor of Medicine and Bachelor of Surgery ("MBBS") degree in 1974. In 1980, Tan Sri was appointed as a Fellow of the Royal College of Surgeons and Physicians of Glasgow ("FRCS").

Moving to London in 1981, Tan Sri worked as Surgical Registrar in the Department of Cardiothoracic Surgery at Brampton Hospital before returning to Malaysia to take up the role of Cardiothoracic Surgeon at General Hospital. In 1985, he was appointed Head and Senior Consultant Cardiothoracic Surgeon at General Hospital.

From 1992 until 2002, Tan Sri held the position of Head and Senior Consultant Cardiothoracic Surgeon at Malaysia's National Heart Institute, and from 1998 to 2002, he was also Medical Director of the Institute.

Tan Sri's many professional achievements include performing open-heart surgery on Tun Dr Mahathir Mohamad in 1989; pioneering the establishment of The National Heart Institute of Malaysia in 1992; and performing the first heart transplant in Malaysia in 1998. Tan Sri is author of many scholarly and professional articles and has made numerous presentations to professional audiences.

Tan Sri is currently the Consultant Cardiothoracic Surgeon at Damansara Heart Centre, Damansara Specialist Hospital. He is also Chairman of the National Transplant Registry and a council member of the Association of Thoracic and Cardiovascular Surgeons of Asia.

He is a member of the Audit Committee of KFCH. Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. He has no personal interest in any business arrangement involving KFCH. He has not been convicted for any offences.

He attended five (5) out of six (6) Board Meetings of the Company held during the financial year ended 31 December 2010.

PROFILE OF DIRECTORS

HASSIM BIN BABA

Independent Non-Executive Director

Hassim bin Baba, Malaysian, aged 65, was appointed as an Independent Non-Executive Director of KFC Holdings (Malaysia) Bhd ("KFCH") on 29 April 2005. He graduated with a Diploma in Business Administration from the then MARA Institute of Technology ("MIT"), Malaysia and passed the Securities Institute of Australia and London Chartered Institute of Company Secretaries examinations and qualified as an Australia Securities Analyst and Chartered Company Secretary.

He is a member of the Audit Committee of KFCH. Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. He has no personal interest in any business arrangement involving KFCH. He has not been convicted for any offences.

He attended all six (6) Board Meetings of the Company held during the financial year ended 31 December 2010.

BOARD OF DIRECTORS KENTUCKY FRIED CHICKEN MANAGEMENT PVT. LTD. (KFC SINGAPORE)

1 **AHAMAD BIN MOHAMAD**
Chairman

2 **JAMALUDIN BIN MD ALI**
Director

3 **MICHAEL GIAN**
Chief Executive Officer

~

BOARD OF DIRECTORS MUMBAI CHICKEN PVT. LTD. PUNE CHICKEN RESTAURANTS PVT. LTD. (KFC INDIA)

1 **AHAMAD BIN MOHAMAD**
Chairman

2 **JAMALUDIN BIN MD ALI**
Director

3 **MOHD ZAM BIN MUSTAMAN**
Director

4 **MOHAMMAD BIN ALWI**
Director

5 **TH LIM**
Director

~

BOARD OF DIRECTORS KFC (B) SDN. BHD. (KFC BRUNEI DARUSSALAM)

1 **AHAMAD BIN MOHAMAD**
Deputy Chairman

2 **NELKY GOH**
Managing Director

3 **YANG TERAMAT MULIA PADUKA SERI PENGIRAN ANAK PUTERI HAJAH AMAL JEFRIAH BINTI ALMARHUM SULTAN HAJI 'OMAR' ALI SAIFUDDIEN SA'ADUL KHAIRI WADDIEN**
Director

4 **JAMALUDIN BIN MD ALI**
Director

5 **DATUK TAN CHENG KIAT**
Director

6 **GOH THIAM FATT**
Director

TOP MANAGEMENT COMMITTEE

From Left to Right

MOHAMMAD BIN ALWI
Director
Finance & Human Resources

AZIZAH BT ABDUL RAHMAN
Director
Integrated Poultry & Food Manufacturing

JAMALUDIN BIN MD ALI
Managing Director

MOHD ZAM BIN MUSTAMAN
Director
Legal, Corporate Services & Properties

SK WONG
Director
KFC & Pizza Hut

ALAN AU
Senior Vice President
Finance, MIS & Corporate Planning

HEADS OF DIVISIONS

From Left to Right

MICHAEL GIAN
Chief Executive Officer
KFC & Pizza Hut Singapore

NELKY GOH
Managing Director
KFC Brunei

FOO PENG PENG
Managing Director
KFC Marketing Sdn Bhd

DR KOOI ENG TIONG
President
Poultry Integration

TH LIM
Vice President
KFC Peninsular Malaysia

HEADS OF DIVISIONS

From Left to Right

MJ LING
Vice President
KFC East Malaysia

LOONG WENG KEONG, EDMUND
Senior General Manager
Group Internal Audit

AZAMI BIN MUSTAPHA
Senior General Manager
Ayamas Food Corporation

MOHAMED RAFIQ BIN M.K. MOOSA
General Manager
RasaMas & Kedai Ayamas

MOHD ROSLAN BIN MOHD SALUDIN
General Manager
Shariah & Halal Compliance

From Left to Right

SHARIFAH MUSAINAH BT SYED ALWI
General Manager
Group Human Resources

MOHD IZANI BIN HASSAN
General Manager
Group Properties, Technical & Maintenance

ZAITON BT IBRAHIM
Chief Executive Officer
KFCH International College

HEZAL BIN AHMAD
Chief Executive Officer
KFC India

TONY LIKA
Senior Manager
Group Corporate Communications

~

SHARIAH ADVISORY COUNCIL

1 KAMARUZZAMAN BIN ABU KASSIM

2 AHAMAD BIN MOHAMAD

3 JAMALUDIN BIN MD ALI

4 TAN SRI DATO' ABDUL KADER BIN TALIP

5 DATO' HAJI NOOH BIN GADOT

6 PROF. DATUK DR. SIDEK BIN BABA

7 MOHD ROSLAN BIN MOHD SALUDIN

CORPORATE INFORMATION

BOARD OF DIRECTORS

~

1. **KAMARUZZAMAN BIN ABU KASSIM**
   Chairman
   Non-Independent Non-Executive Director
2. **AHAMAD BIN MOHAMAD**
   Deputy Chairman
   Non-Independent Non-Executive Director
3. **JAMALUDIN BIN MD ALI**
   Managing Director/Chief Executive Officer
4. **DATUK ISMEE BIN ISMAIL**
   Non-Independent Non-Executive Director
5. **KUA HWEE SIM**
   Independent Non-Executive Director
6. **DATIN PADUKA SITI SA'DIAH BINTI SHEIKH BAKIR**
   Non-Independent Non-Executive Director
7. **TAN SRI DATO' DR YAHYA BIN AWANG**
   Independent Non-Executive Director
8. **HASSIM BIN BABA**
   Independent Non-Executive Director

EXECUTIVE COMMITTEE

1. **AHAMAD BIN MOHAMAD**
   Chairman
2. **JAMALUDIN BIN MD ALI**
   Member
3. **SHEIK SHARUFUDDIN BIN SHEIK MOHD**
   Member

SHARIAH ADVISORY COUNCIL

KAMARUZZAMAN BIN ABU KASSIM
AHAMAD BIN MOHAMAD
JAMALUDIN BIN MD ALI
TAN SRI DATO' ABDUL KADER BIN TALIP
DATO' HAJI NOOH BIN GADOT
PROF. DATUK DR. SIDEK BIN BABA
MOHD ROSLAN BIN MOHD SALUDIN

AUDIT COMMITTEE

1. KUA HWEE SIM
   Chairman
2. HASSIM BIN BABA
   Member
3. TAN SRI DATO' DR YAHYA BIN AWANG
   Member

COMPANY SECRETARIES

MOHD ZAM BIN MUSTAMAN
(LS 0009020)

IDHAM JIHADI BIN ABU BAKAR
(MAICSA 7007381)

AUDITORS

KPMG, Chartered Accountants
Level 10, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor

PRINCIPAL BANKERS

Affin Islamic Bank Berhad
AmIslamic Bank Berhad
Bank Muamalat Malaysia Berhad
CIMB Bank Berhad
Citibank Berhad
DBS Bank Ltd
HSBC Amanah Malaysia Berhad
Malayan Banking Berhad

SOLICITORS

M/s Zainal Abidin & Co

REGISTERED OFFICE

Level 17, Wisma KFC
No. 17 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-20263388
Fax : 03-20728600

REGISTRAR & TRANSFER OFFICE

Pro Corporate Management Services Sdn Bhd
Suite 12B, Tingkat 12, Menara Ansar
No. 65 Jalan Trus
80000 Johor Bahru, Johor
Tel : 07-2267476
Fax : 07-2223044

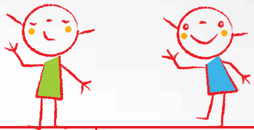
STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad, Main Board

GROUP STRUCTURE

KFC HOLDINGS (MALAYSIA) BHD

- 100% KFC Restaurants Holdings Sdn Bhd
  - Investment holding
  - 100% Kentucky Fried Chicken (Malaysia) Sdn Bhd
    - KFC restaurants
  - 100% KFC (Peninsular Malaysia) Sdn Bhd
    - KFC restaurants
    - Commissary
    - 100% SPM Restaurants Sdn Bhd
      - Meals on wheels
      - Property holding
  - 100% KFC (East Malaysia) Sdn Bhd
    - Investment holding
    - 100% KFC (Sarawak) Sdn Bhd
      - KFC restaurants
    - 90% KFC (Sabah) Sdn Bhd
      - KFC restaurants
      - 51% KFC (B) Sdn Bhd
        - KFC restaurants
        - 100% Rasamas Sdn Bhd (Brunei)
          - Restaurants
  - 100% WQSR Holdings (S) Pte Ltd
    - Investment holding
    - 100% Kentucky Fried Chicken Management Pte Ltd
      - KFC restaurants
- 100% KFC Events Sdn Bhd
  - Sales of food products vouchers
- 100% Cilik Bistari Sdn Bhd
  - Board Game
- 100% Integrated Poultry Industry Sdn Bhd
  - Poultry processing plant
- 100% Ayamas Integrated Poultry Industry Sdn Bhd
  - Breeder & broiler farms
  - Hatchery
  - Feedmill
  - 100% Ladang Ternakan Putihekar (N.S.) Sdn Bhd
    - Breeder farm
  - 100% MH Integrated Farm Berhad
    - Property holding
- 100% KFC India Holdings Sdn Bhd
  - Investment holding
  - 100% Mauritius Food Corporation Pvt Ltd
    - Investment holding
    - 100% Mumbai Chicken Pvt Ltd
      - KFC restaurants
    - 100% Pune Chicken Restaurants Pvt Ltd
      - KFC restaurants
      - 100% Kernel Foods Pvt Ltd
        - KFC Restaurant
- 100% KFC Manufacturing Sdn Bhd
  - Trading
  - Bakery
- 75% Semangat Juara Sdn Bhd
  - Contract Farming (Intrapreneur)



70% Yayasan Amal Bistari
- Corporate Foundation

100% Paramount Holdings (M) Sdn Bhd
- College/Learning Institute

100% Paramount Management Sdn Bhd
- Property holding

100% Roaster's Chicken Sdn Bhd
- Investment holding

55% Tepak Marketing Sdn Bhd
- Contract packing

100% Region Food Industries Sdn Bhd
- Sauce manufacturing

90% Rasamas Bukit Tinggi Sdn Bhd
- Restaurant (Intrapreneur)

90% Rasamas Subang Sdn Bhd
- Restaurant (Intrapreneur)

89.1% Rasamas Taman Universiti Sdn Bhd
- Restaurant (Intrapreneur)

100% Rasamas Bangi Sdn Bhd
- Restaurant (Intrapreneur)

90% Rasamas Melaka Sdn Bhd
- Restaurant (Intrapreneur)

90% Rasamas Nilai Sdn Bhd
- Restaurant (Intrapreneur)

90% Rasamas Kota Bharu Sdn Bhd
- Restaurant (Intrapreneur)

90% Rasamas Butterworth Sdn Bhd
- Restaurant (Intrapreneur)

89.2% Rasamas Tebrau Sdn Bhd
- Restaurant (Intrapreneur)

90% Rasamas Wangsa Maju Sdn Bhd
- Restaurant (Intrapreneur)

100% Ayamas Food Corporation Sdn Bhd
- Poultry processing & further processing plants

100% Rasamas Terminal Larkin Sdn Bhd
- Restaurant (Intrapreneur)

100% Rasamas BC Sdn Bhd
- Restaurant (Intrapreneur)

90% Ayamas Farms & Hatchery Sdn Bhd
- Contract Farming (Intrapreneur)

85% Ayamas Feedmill Sdn Bhd
- Contract Farming (Intrapreneur)

100% Pintas Tiara Sdn Bhd
- Property holding

100% Ayamas Shoppe Sdn Bhd
- Convenience food store

100% Rasamas Holdings Sdn Bhd
- Restaurants

100% KFC Marketing Sdn Bhd
- Sales & marketing of food products

90% Southern Poultry Farming Sdn Bhd
- Contract Farming (Intrapreneur)

84.75% Synergy Poultry Farming Sdn Bhd
- Contract Farming (Intrapreneur)

90% Ventures Poultry Farm Sdn Bhd
- Contract Farming (Intrapreneur)

100% Agrotech Farm Solutions Sdn Bhd
- Contract Farming (Intrapreneur)

100% Ayamazz Sdn Bhd
- Push Cart

100% Usahawan Bistari Ayamas Sdn Bhd
- Sudut Ayamas


It's finger lickin' good.

Bringing Great Tasting Products **to the Table**

Customers rely on our restaurant chains to bring great tasting new products to the table. 2010 was no different, with the KFC Toasted Pocketful being just one example of a number of popular debuts. But the Group's traditional favourites will always be there. After all, classics never go out of fashion.

CORPORATE GOVERNANCE STATEMENT

1. INTRODUCTION

The Board of Directors (the "Board") of KFC Holdings (Malaysia) Bhd ("KFCH" or the "Company") subscribes to and supports the Malaysian Code on Corporate Governance (Revised 2007) ("the Code") as a minimum basis for practices on corporate governance. The Board further recognises that the principles of integrity, transparency and professionalism are key components for the Group's continued growth and success. These will not only safeguard and enhance shareholders value but will at the same time ensure that the interests of other stakeholders are protected.

The Board is pleased to report to the shareholders in particular and other stakeholders in general on the manner the Company has applied the principles of corporate governance as set out in Part 1 of the Code as well as the extent of its compliance with the Best Practices as set out in Part 2 of the Code.

2. THE BOARD OF DIRECTORS

2.1 Composition, Size and Effectiveness of the Board

The Board is led and managed by an experienced and effective Board with a wide range of knowledge and expertise. The Board is primarily assigned for charting the strategic direction of the Group.

On 12 January 2011, the Company welcomed the appointment of Kamaruzzaman bin Abu Kassim as our new Chairman. With the changes, the Board currently has 8 members comprising the Chairman, Kamaruzzaman bin Abu Kassim (Non-Independent Non-Executive Director), Deputy Chairman, Ahamad bin Mohamad (Non-Independent Non-Executive Director), the Managing Director, Jamaludin bin Md Ali, 3 Independent Non-Executive Directors being Hassim bin Baba, Kua Hwee Sim and Tan Sri Dato' Dr Yahya bin Awang and 2 other Non-Independent Non-Executive Directors being Datuk Ismee bin Ismail and Datin Paduka Siti Sa'diah binti Sheikh Bakir. The Company is in compliance with the Bursa Malaysia Securities Berhad's Listing Requirements which require at least two directors or one-third of the total number of Directors, whichever is higher, to be Independent Directors. The Board retains full and effective control of the Company. The Managing Director has direct responsibilities for business operations whilst non-executive directors have the necessary skill and experience to bring independent judgments to bear on the issues relating to strategy, performance and resources. Key matters, such as approval of annual and interim results, acquisitions and disposals, material agreements, major capital expenditures, budgets and long term plans would require Board's approval.

The Board views that the number and composition of the current Board members are sufficient and well-balanced for the Company to carry out its duties effectively, whilst providing assurance that no individual or small group of individuals can dominate Board's decision making.

To ensure that there is balance of power and authority, the roles of the Chairman/Deputy Chairman and Managing Director are separated and clearly defined. The Chairman/Deputy Chairman is primarily responsible for the orderly conduct and effectiveness of the Board, including but not limited to organising information necessary for the Board to deal with the agenda of meetings, whilst the Managing Director's primary task is to report, communicate and recommend key strategic and operational matters and proposals to the Board for decision making purposes as well as to implement policies and decisions approved by the Board. The Independent Directors and Non-Independent Non-Executive Directors are from varied business and professional backgrounds and bring with them a wealth of experience that is brought to bear favourably in board decisions and policy formations. Together, the Directors bring a wide range of business and financial experience relevant to the direction of the expanding Group.

Other than the Chairman and the Managing Director, the shareholders or stakeholders may convey any concerns that they may have to the Chairperson of the Audit Committee who is also an Independent Non-Executive Director.

2.2 Principal Duties and Responsibilities

The Board assumes six principal stewardship's responsibilities:-

a. Reviewing and adopting a strategic plan for the Company.

The Board will review and approve the 5-year strategic plan for the Group.

The strategic and business plan for the period 2011 – 2015 was tabled, discussed and approved by the Board at its meeting held on 24 November 2010.

Additionally, on an ongoing basis as the need arises, the Board will assess whether projects, purchases and sale of equity as well as other strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans.

b. Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed.

At Board meetings, all key operations matters will be discussed and expert advice will be sought if necessary.

The performances of the various companies and operating units within the Group represent the major element of the Board agenda. Where and when available, data are compared against national trends and performance of similar companies.

The Group uses Key Performance Indicator ("KPI") system as the primary driver and anchor to its performance management system, of which is continually refined and enhanced to reflect the changing business circumstances.

The Organisational Chart and the Group Authority Limits and Guidelines define, amongst others, the limits to management responsibilities. At the end of each financial year the Board will set KPI that should be achieved by the management for the next financial year.

c. Identifying principal risks and ensure the implementation of appropriate systems to manage these risks.

The Group has set up a Risk Management Committee for this purpose to assist the Board.

The principal objectives of the Enterprise Risk Management are, amongst others, to meet the strategies, goal and objectives of the Group; to safeguard financial and non-financial assets of the Group; to allocate and optimise the use of resources and to comply with policies, procedures, guidelines, laws and regulations. For further information of the Risk Management Committee, please refer to page 80 of the Annual Report.

d. Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management.

The Board's responsibility in this aspect is being closely supported by the Group Human Resource division. More importantly, after several years of continuous efforts in emphasizing and communicating the importance of succession planning, the subject has now become an ongoing agenda being reviewed at various high-level management and operational meetings of the Group.

CORPORATE GOVERNANCE STATEMENT

e. Developing and implementing an investor relations programme or shareholder communications policy for the Company.

   Various strategies and approaches are employed by the Group so as to ensure that investors and shareholders are well-informed about the Group affairs and developments.

f. Reviewing the adequacy and the integrity of the Company's internal controls and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines.

   The Board's function as regard to fulfilling the above responsibility is supported and reinforced through the various Committees established at both the Board and Management's level. Aided by an independent function of the Group Internal Audit Division, the active functioning of these Committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Group's internal controls. Details on the Group Internal Audit functions are further discussed in the Internal Control Statement and Audit Committee Report in this Annual Report.

At the same time, the Board also ensures the sustenance of a dynamic and robust corporate climate focused on strong ethical values. This emphasizes active participation and dialogues on a structured basis involving key people at all levels, as well as ensuring accessibility to information and transparency on all executive action. The Group's annual employees' gathering; Pedoman is one of the platform employed in allowing and encouraging employees to engage in an open dialogue with the senior management. The Group has also established a formal avenue for all employees to report directly to the Managing Director of any misconduct or unethical behaviour conducted by any employees of the Group. The corporate climate is also continuously nourished by value-centred programmes for team-building and active subscription to core values.

2.3 Board Meetings and Supply Of Information

Operations Meetings are held once a month during which the Managing Director and Divisional Directors will be briefed by management on all operational aspects of the Group. During the meetings, they will be furnished with information on the progress of the operating units i.e. activities, performance, planned projects and problems arising so as to enable the former to participate in problem solving and decision-making process. The Group has also established a Top Management Committee wherein Divisional Directors and Top Senior Executives will meet weekly to, amongst others, set the management direction of the Group and provide the general management and corporate leadership. The Top Management Committee is also to facilitate collective decision-making at the top management level of the Company's stratum. The terms of reference of the Top Management Committee is set out on page 81.

All Board meetings for the ensuing year are scheduled by December in the year before so as to allow Directors to plan ahead. Board Meetings are held at least 4 times a year. Apart from the regular scheduled meetings, additional meetings are convened as and when necessary to deliberate and approve ad-hoc, urgent and important issues.

The specific agendas tabled for the Board's deliberation are the key financial and operational results and performances of the Group, Company and its subsidiaries, strategic and corporate initiatives such as approval of corporate plans and budgets, acquisitions and disposals of material assets, major investments and changes to management and control structure of the Group, including key policies, procedures and authority limits. The total number of Board Meetings held during the financial year was six (6) and all Directors have complied with the minimum 50% attendance as required by Paragraph 15.05 of the Listing Requirements. The Directors are provided with adequate Board Papers together with the agenda and minutes of the previous meeting on a timely manner prior to the Board Meeting so as to give the Directors time to deliberate on the issues to be raised at the meeting. All deliberations and conclusions of the Board meetings are duly recorded and minutes kept by the Company Secretary.

The Board recognizes the importance of providing timely, relevant and up-to-date information in ensuring an effective decision making process by the Board. In this regard, the Board is provided with not just quantitative information but also those of qualitative nature that is pertinent and of a quality necessary to allow the Board to effectively deal with matters that are tabled in the meeting. All Directors have access to information within the Company and to the advice and services of the Company Secretaries. The Directors may also obtain independent professional advice, in furtherance of their duties.

In between meetings, the Managing Director meets regularly with the Chairman and other Board members (where necessary) to keep them abreast of current development. Circular Resolutions are used for determination of matters arising in between meetings.

2.4 Appointment and re-election of Directors

The number and composition of Board membership are reviewed on a regular basis appropriate to the prevailing size, nature and complexity of the Group's business operations so as to ensure the relevance and effectiveness of the Board.

The Board is responsible to the shareholders. All Directors appointed during the financial year retire at the Annual General Meeting ("AGM") of the Company in the period of appointment and are eligible for re-election. In compliance with Paragraph 7.26(2) of the Listing Requirements, all directors shall retire once at least in every 3 years.

In accordance with Article 89 of the Articles of Association of the Company, the following directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election:-

(i) Tan Sri Dato' Dr Yahya bin Awang

(ii) Kua Hwee Sim

In accordance with Article 96 of the Articles of Association of the Company, Kamaruzzaman bin Abu Kassim retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

2.5 Directors' Remuneration

The Board believes that the levels of remuneration offered by the Group are sufficient to attract Directors of calibre and with sufficient experience and talents to contribute to the performance of the Group. The remuneration framework for Executive Director has an underlying objective of attracting and retaining director needed to run the Company successfully. Remuneration packages of Executive Director are structured to commensurate with corporate and individual's performance. The Non-Executive Directors are remunerated based on fixed annual fees approved by the shareholders of the Company.

CORPORATE GOVERNANCE STATEMENT

The details on the remuneration of the directors are as follows:

	Basic Salary RM	Fees/Allowances/ Other Emoluments RM	Bonus RM	Benefits in-kind RM	Total RM
EXECUTIVE DIRECTOR					
Jamaludin bin Md Ali	596,160	50,000	273,240	191,660	1,111,060
NON-EXECUTIVE DIRECTORS					
*Tan Sri Dato' Muhammad Ali bin Hashim	—	127,000	—	2,994	129,994
Ahamad bin Mohamad	—	91,500	—	25,097	116,597
Datuk Ismee bin Ismail	—	54,500	—	—	54,500
Kua Hwee Sim	—	69,000	—	—	69,000
Datin Paduka Siti Sa'diah binti Sheikh Bakir	—	59,000	—	—	59,000
Tan Sri Dato' Dr Yahya bin Awang	—	63,500	—	—	63,500
Hassim bin Baba	—	65,000	—	—	65,000
	596,160	579,500	273,240	219,751	1,668,651

* Resigned with effect from 12 January 2011.

2.6 Directors' Training

The Company complies with the requirements set out in the amendments to the Listing Requirements in that it regularly assess the training needs of its directors to ensure that they are equipped with the requisite knowledge and competencies to make effective contribution to the board's functioning. All Directors have successfully completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia. The Continuous Education Programme ("CEP") was repealed by Bursa Malaysia with effect from 1 January 2005 and Directors who are required to fulfill this programme complied with the deadline before due date. Nevertheless the Directors are encouraged to continue attending various training programmes that are relevant to the discharge of their responsibilities.

Among the training programmes, seminars and briefings attended during the year are as follows:-

~ Corporate Governance, Professionalism & Accountants
~ Corporate Integrity System Malaysia
~ Beyond Governance, Enter Sustainable
~ Statement on Risk Management and Internal Control
~ Stroking the fire of Corporate Governance
~ Boardroom Ethics
~ Board Role, Directors Duties and Blind Spots, Biases and other Pathologies in the Boardroom

Apart from this requirement, all new directors who are appointed from among the Group's Senior Executives must attend an internally-administered directors' course and pass the examination set prior to being eligible for appointment to the Board. All new directors will be given comprehensive briefing of the Group's history, operations and financial control systems in order to provide them with first-hand knowledge of the Group's operations. In the light of increasing complexities in global markets as well as within the industry, in financial reporting and in shareholders' expectations, training is an ongoing process in an effort to help Directors stay abreast of relevant new developments.

3. BOARD AND MANAGEMENT COMMITTEES

The Group has formed several committees to facilitate the operations of the Group. Each committee has written terms of reference defining their scope, powers and responsibilities. The list of committees includes, amongst others:-

Board Committees:

i. Audit Committee

Pursuant to paragraph 15.15 of the Listing Requirements of Bursa Securities, the Audit Committee Report for the financial year, which sets out the composition, terms of reference and a summary of activities of the Audit Committee, is contained on pages 84 to 87 of this Annual Report.

ii. Nomination and Remuneration Committee ("NRC")

The Board has on 21 February 2011 resolved to establish its own NRC. With the establishment of the Company's NRC, the functions and responsibilities previously vested with JCorp Group NRC are now assumed by the Company's NRC. The Board is of the view that the composition of the NRC meets the objectives and principles of the corporate governance.

The terms of reference of the NRC are as follows:-

Purpose

The NRC is established primarily to:-

A. Nomination

1. Identify and recommend candidates for Board directorship;
2. Recommend directors to fill the seats on Board Committee;
3. Evaluate the effectiveness of the Board and Board Committee (including the size and composition) and contributions of each individual director;
4. Ensure an appropriate framework and plan for Board succession.

B. Remuneration

1. Provide assistance to the Board in determining the remuneration of executive directors, senior management and Chief Executive Officer. In fulfilling these responsibilities, the NRC is to ensure that executive directors and applicable senior management of the Company:
   - Are fairly rewarded for their individual contribution to overall performance;
   - Are compensated reasonably in light of the Company's objectives; and
   - Are compensated similar to other companies.
2. Establish the Managing Director/Chief Executive Officer's goals and objectives; and
3. Review the Managing Director/Chief Executive Officer's performance against the goals and objectives set.

CORPORATE GOVERNANCE STATEMENT

Membership
The NRC shall consist of the following:-

1. Tn Hj Kamaruzzaman bin Abu Kassim
   Chairman
2. Tn Hj Ahamad bin Mohamad
   Deputy Chairman
3. Tan Sri Dato' Dr Yahya bin Awang
   Independent Non-Executive Director
4. Jamaludin bin Md Ali
   Managing Director/Chief Executive Officer

The appointment of a NRC member terminates when the member ceases to be a director of the Company.

The NRC shall have no executive powers.

In the event of equality of votes, the Chairperson of the NRC shall have a casting vote. In the absence of the Chairperson of the NRC, the members present shall elect one of their numbers to chair the meeting.

Meetings
The NRC shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the NRC or Chairperson. The NRC may establish procedures from time to time to govern its meeting, keeping of minutes and its administration.

The NRC shall have access to such information and advice, both from within the Group and externally, as it deems necessary or appropriate in accordance with the procedures determined by the Company. The NRC may request other directors, members of management, counsels and consultants as applicable to participate in NRC meetings, as necessary, to carry out the NRC's responsibilities. Non-NRC directors and members of management in attendance may be required by the Chairperson to leave the meeting of the NRC when so requested.

The Secretary of the NRC shall be the Company Secretary. NRC meeting agendas shall be the responsibility of the NRC Chairperson with input from the NRC members. The Chairperson may also request management to participate in this process. The agenda of each meeting including supporting information shall be circulated at least seven days before each meeting to the NRC members and all those who are required to attend the meeting.

The NRC shall cause the minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meeting of the NRC. Such minutes shall be signed by the Chairperson of the meeting at which the proceedings were held or by the Chairperson of the next succeeding meeting, and if so signed, shall be the conclusive evidence without any further proof of the facts thereon stated.

The NRC, through its Chairperson, shall report to the Board at the next Board of Directors' meeting after each NRC meeting. When presenting any recommendation to the Board, the NRC shall provide such background and supporting information as may be necessary for the Board to make an informed decision. The NRC shall provide such information to the Board as necessary to assist the Board in making a disclosure in the Annual Report of the Company in accordance with the Best Practices of the Code Part 2 AAIX.

The Chairperson of the NRC shall be available to answer questions about the NRC's work at the Annual General Meeting of the Company.

Scope of Activities
The duties of the NRC shall include the following:

A. Nomination

1. To determine the criteria for Board membership, including qualities, experience, skills, education and other factors that will best qualify a nominee to serve on the Board;
2. To review annually and recommend to the Board with regards to the structure, size, balance and composition of the Board and Committees including the required mix of skills and experience, core competencies which non-executive directors should bring to the Board and other qualities to function effectively and efficiently;
3. To consider, evaluate and propose to the Board any new board appointments, whether of executive or non-executive position. In making a recommendation to the Board on the candidate for directorship, the NRC shall have regard to:
   - Size, composition, mix of skills, experience, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board; and
   - Best Practices of the Code Part 2 AAIII which stipulate that non-executive directors should be persons of calibre, credibility and have the necessary skill and experience to bring an independent judgement to bear on issues considered by the Board and that independent non-executive directors should make up at least one-third of the membership of the Board.
4. To propose to the Board the responsibilities of non-executive directors, including membership and Chairpersonship of Board Committees.
5. To evaluate and recommend the appointment of senior executive positions, including that of the Managing Director or Chief Executive and their duties and the continuation (or not) of their service.
6. To establish and implement processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and for assessing the contribution of each director.
7. To evaluate on an annual basis:
   - The effectiveness of each director's ability to contribute to the effectiveness of the Board and the relevant Board Committees and to provide the necessary feedback to the directors in respect of their performance;
   - The effectiveness of the Committees of the Board; and
   - The effectiveness of the Board as a whole.
8. To recommend to the Board:
   - Whether directors who are retiring by rotation should be put forward for re-election; and
   - Termination of membership of individual director in accordance with policy, for cause of other appropriate reasons.

CORPORATE GOVERNANCE STATEMENT

9. To establish appropriate plans for succession at Board level, and if appropriate, at senior management level.

10. To provide for adequate training and orientation of new directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regard to their contribution to the Board and Company.

11. To consider other matters as referred to the NRC by the Board.

B. Remuneration

1. To establish and recommend the remuneration structure and policy for directors and key executives, if applicable, and to review for changes to the policy as necessary.

2. To ensure that a strong link is maintained between the level of remuneration and individual performance against agreed targets, the performance-related elements of remuneration setting forming a significant proportion of the total remuneration package of executive directors.

3. To review and recommend the entire individual remuneration packages for each of the executive director and, as appropriate, other senior executives, including: the terms of employment or contract of employment/service; any benefit, pension or incentive scheme entitlement; any other bonuses, fees and expenses; and any compensation payable on the termination of the service contract.

4. To review with the Managing Director/Chief Executive Officer, his/her goals and objectives and to assess his/her performance against these objectives as well as contribution to the corporate strategy.

5. To review the performance standards for key executives to be used in implementing the Group's compensation programs where appropriate.

6. To consider and approve compensation commitments/severance payments for executive directors and key executives, where appropriate, in the event of early termination of the employment/service contract.

7. To consider other matters as referred to the NRC by the Board.

iii. Risk Management Committee

The Board has established the Risk Management Committee ("RMC") and the Enterprise Risk Management ("ERM") framework. The RMC is chaired by the Chief Risk Officer who is also the Director – Group Finance & Human Resources. The principal objectives of the ERM are, amongst others, to meet the strategies, goal and objectives of the Group; to allocate and optimize the use of resources and to comply with policies, procedures, guidelines, laws and regulations.

The Audit Committee will oversee the effectiveness of ERM process across the Group whereby the Board retains the overall risk management responsibility.

The principal roles and responsibilities of RMC:

- Create a high-level risk strategy (policy) aligned with Group's strategic business objectives;
- Communicate board vision, strategy, policy, responsibilities, and reporting lines to all employees across the Group;
- Identify and communicate to the Board the critical risks (present or potential) the Group faces, their changes, and the management action plans to manage the risks;

- Perform risk oversight and review risk profiles and organisational performance;
- Aggregating the Group's risk position and yearly reporting to the Board on the risk situation/status;
- Set performance measures for the Group; and
- Provide guidance to the business units on the Group's and business unit's risk appetite and capacity, and other criteria which, when exceeded, trigger an obligation to report upward to the Board.

Management Committees:

i. Top Management Committee ("TMC")

1. The terms of reference and objectives of the TMC are as follows:-
    (a) Manages the Group in all aspects of business
    (b) Implements strategic business plans and policies as approved by the Board of Directors
    (c) Identifies, formulates and prioritizes strategic issues and charts strategic directions for action by the Management and staff

2. The members of the TMC comprise the following:-
    1. Managing Director
    2. Director – Integrated Poultry & Food Manufacturing
    3. Director – Legal, Properties & Corporate Services
    4. Director – Group Finance & Human Resources
    5. Director – KFC & Pizza Hut Brands
    6. Senior Vice President – Group Finance, MIS & Corporate Planning

    Decisions taken will be by majority.

    Appointment of members is by the Exco.

3. Meetings are to be held on every Wednesday or as and when it deems necessary basis.

ii. Agreement Committee

The principal term of reference of the Agreement Committee is to assist the Group in preparing and reviewing the terms and conditions of legal documents for corporate and/or commercial transactions to be entered into by the Group.

iii. Asset Committee

The principal term of reference of the Asset Committee is to acquire properties of existing rented premises as well as procuring/disposing of suitable sites for outlets expansion and other operations of the Group.

iv. Tender Committee

The principal term of reference of the Tender Committee is to review and evaluate tenders of purchases and expenditures and to make such appropriate recommendations to the relevant Committees for approval.

CORPORATE GOVERNANCE STATEMENT

4. SHAREHOLDER RELATIONSHIP

In line with the Group's commitment to observe the highest level of accountability and transparency to its stakeholders, the Group continually ensures that it maintains a high level of disclosure and communication with its shareholders and stakeholders through various practicable and legitimate channels. The Group is duty-bound to keep the shareholders and investors informed of any major developments and changes affecting the Group.

The management holds discussions and dialogues with analysts and investors on a regular basis. During the discussions and dialogues, presentations based on permissible disclosures are made to the analysts and investors to provide details on the Group i.e. financial performance, any major developments and future plans. Apart from the mandatory requirement to make public announcements via the Bursa Securities, the Group also disseminates information through press releases on corporate events, product launches and any significant developments of the Group.

In addition to the above, the Group has an interactive web-site available at **www.kfcholdings.com.my** to communicate with investors and the investing public. The web-site is being used as a forum to answer inquiries and provide information on the activities of the Group.

The Annual General Meeting is the principal forum for dialogue and interaction with the shareholders of the Company. Besides the usual agenda of the Annual General Meeting, the Board presents the progress and performance of the business. Thereafter, the shareholders are presented with the opportunity to participate in question and answer sessions with the Directors.

5. ACCOUNTABILITY AND AUDIT

5.1 Financial Reporting

In presenting the annual financial statement and quarterly announcements to the shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators. Timely release of announcements reflects the Board's commitment to provide up-to-date and transparent information on the Group's performance.

In the preparation of the financial statement, the Directors have taken the necessary steps to ensure that the Group had used all the applicable Financial Reporting Standards, provisions of the Companies Act, 1965 and relevant provisions of laws and regulations in Malaysia and the respective countries in which the subsidiaries operate, consistently, and that the policies are supported by reasonable and prudent judgment and estimates. The Audit Committee assists the Board in ensuring the accuracy, adequacy and completeness of the information to be disclosed. The Statement by Directors pursuant to Section 169 of the Companies Act 1965 is set out on page 187 of the Annual Report.

The quarterly reports, prior to tabling to the Board for approval will be reviewed and approved by the Audit Committee.

5.2 Internal Control

The Group's Statement on Internal Control is set out on page 88 of this Annual Report.

5.3 Relationship with the Auditors

The Board through the Audit Committee has maintained a formal procedure of carrying out an independent review of all quarterly reports, annual audited financial statements, External Auditors' audit plan, report, internal control issues and procedures. The Audit Committee meets with the External Auditors without the presence of the Executive Board and Senior Management at least twice a year. During the year, two meetings have been conducted without the presence of the management. Representatives from the External Auditors are also invited to attend every Annual General Meeting.

The Group's internal audit department, reporting to the Audit Committee performs regular reviews of business processes to assess the effectiveness of internal controls and highlight significant risks impacting the Group. The Audit Committee conducts annual reviews on the adequacy of the internal audit department's scope of work and resources.

The Report of the Audit Committee is set out on pages 84 to 87 of the Annual Report.

5.4 Statement of Directors' Responsibilities in respect of the Audited Financial Statements

The provisions of the Companies Act, 1965 require the directors to be responsible in preparing the financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows for the financial year then ended. In complying with these requirements, the directors are responsible for ensuring that proper accounting records are maintained and suitable accounting policies are adopted and applied consistently. In cases whereby judgment and estimates were required, the directors have ensured that these were made prudently and reasonably.

The Directors also ensured that all applicable accounting standards have been followed and confirmed that the financial statements have been prepared on a going concern basis.

In addition, the Directors are also responsible for safeguarding the assets of the Company by taking reasonable steps to prevent and detect fraud and other irregularities.

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee presently comprises three members who are non-executive directors and all are independent directors as follows:

1. **KUA HWEE SIM** (Independent & Non-Executive Director)
2. **HASSIM BIN BABA** (Independent & Non-Executive Director)
3. **TAN SRI DATO' DR YAHYA BIN AWANG** (Independent & Non-Executive Director)

Kua Hwee Sim is the Chairperson of the Audit Committee as appointed by the Board.

ATTENDANCE OF MEETINGS

The Audit Committee convened four meetings during the financial year ended 31 December 2010 and details of attendance of each member are as follows:

Audit Committee Members	Date of Meetings			
	18 Feb	20 May	19 Aug	15 Nov
Kua Hwee Sim	✓	✓	✓	✓
Hassim bin Baba	✓	✓	✓	✓
Tan Sri Dato' Dr Yahya bin Awang	✓	✓	✓	✓

✓ – attended the meeting

The Managing Director, Divisional Directors, Head of Finance and Head of Internal Audit attended the audit committee meetings at the invitation of the Audit Committee. The external auditors also attended two of the meetings where they held private discussion with the Audit Committee without the presence of management.

SUMMARY OF ACTIVITIES

The Audit Committee carried out the following activities during the financial year in accordance to its terms of reference:

a. Reviewed the quarterly result announcements prior to the approval of the Board.

b. Reviewed the audited financial statements prior to the approval of the Board.

c. Reviewed the external auditor's fees, scope of work and audit plan prior to the commencement of audit.

d. Discussed with the external auditors on significant matters arising from their examination of the audited financial statements, including compliance with applicable accounting standards.

e. Reviewed the external auditor's management letter and evaluated management response.

f. Reviewed and approved the internal audit plan and the key performance indicators of the internal audit department for the year.

g. Reviewed and monitor the adequacy of scope, function, competency and resources of the internal audit department towards the achievement of the internal audit plan and its key performance indicators.

h. Deliberated on the internal audit findings and appraised management's response to the key audit observations and recommendations including following-up on management's implementation of the recommendations.

i. Reviewed the related party transactions entered into by the Group.

j. Reviewed the key risks identified in the Enterprise Risk Management report.

k. Reviewed the operation's report prepared by management including pertinent matters on taxation, legal and regulatory compliance.

TERMS OF REFERENCE

COMPOSITION

i. Audit Committee members shall be appointed by the Board from among its numbers and their appointment shall be concurrent with their tenure on the Board.

ii. The Audit Committee shall comprise not less than three members and all the members must be non-executive directors with a majority of them being independent directors.

iii. In the event a member retires or ceases to be a member resulting in the number reducing to below three, the Board shall within three months appoint new members to make up the minimum number of three members.

iv. At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or must have the necessary experience and recognised qualifications or such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

v. No alternate director shall be appointed as an Audit Committee member.

CHAIRPERSON

The Audit Committee Chairperson shall be an independent non-executive director appointed by the Board.

SECRETARY

The Company Secretary shall act as the Secretary of the Audit Committee.

REVIEW OF PERFORMANCE

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three years.

MEETINGS

The Audit Committee shall meet not less than four times a year. Additional meetings may be called at any time at the discretion of the Audit Committee Chairperson.

QUORUM

The quorum for Audit Committee meetings shall be two members and the majority of the members present shall be independent non-executive directors.

ATTENDANCE

The Head of Finance and Head of Internal Audit would normally attend meetings. Other board members, senior management and external auditors may attend meetings upon the invitation of the Audit Committee.

AUDIT COMMITTEE REPORT

AUTHORITY

The Audit Committee is empowered by the Board:

i. To have explicit authority to investigate any matter within its terms of reference.

ii. To have full and unrestricted access to all records, information, properties and personnel.

iii. To have direct communication channels with the external and internal auditors.

iv. To be able to obtain independent professional advice and to secure the attendance of outsiders with the relevant experience and expertise if the Audit Committee considers this necessary.

v. To be able to convene meetings with the external auditors, the internal auditors, or both, excluding the attendance of other directors and employees, whenever deemed necessary.

DUTIES AND RESPONSIBILITIES

i. To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal.

ii. To discuss with the external auditor prior to the commencement of audit, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved.

iii. To review the quarterly, half-yearly and year-end financial statements prior to the approval of the board, focusing on:
   - compliance with accounting standards and other legal requirements.
   - any changes in the accounting policies and practices
   - significant issues arising from the audit
   - the going concern assumption

iv. To discuss problems and reservations arising from the interim and final audits, and any significant matter the external auditor may wish to discuss (in the absence of management where necessary).

v. To review the external auditor's management letter and management's response.

vi. To do the following with the internal audit function:
   - Review the adequacy of scope, function, competency and resources of the internal audit department and that it has the necessary authority to carry out its work.
   - Review the internal audit program and the results of audit work and where necessary ensure that appropriate action is taken on the recommendations of the internal auditors.
   - Review the coordination of external audit and internal audit.
   - Review any major discoveries of audit investigations and management's response.
   - Approve the appointment of senior staff members of internal audit department, review performance appraisals and be informed of resignations and providing the resigning staff an opportunity to submit his/her reason for resigning.

vii. To review any related party transaction and conflict of interest situation that may arise within the company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

viii. Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee shall promptly report such matter to the Bursa Malaysia Securities Berhad.

ix. To undertake any other responsibilities as may be agreed by the Audit Committee and the Board.

INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the Group Internal Audit Department (GIAD). It reports directly to the Audit Committee and assists the Committee in discharging its duties and responsibilities.

The GIAD is adequately staffed by experienced and qualified auditors and it incurred an estimated cost of RM1.8 million during the financial year. GIAD's scope of work is spelt out in the annual audit plan that is approved by the Audit Committee. The plan covers all the operating divisions and support functions of the Group including the foreign operations in Singapore, Brunei and Cambodia. GIAD's performance is measured against the approved key performance indicators.

In every audit assignment, GIAD conducted risk evaluations, reviewed the adequacy and effectiveness of the system of internal controls and reviewed the extent of compliance with the Group's policies and procedures and regulatory requirements. GIAD also reviewed the key business processes with the objective of improving the efficiency and effectiveness of the Group's operations.

During the financial year, GIAD tabled fifty four audit reports to the Audit Committee for review and followed-up to ensure pertinent audit recommendations are implemented by management.

STATEMENT ON INTERNAL CONTROL

This Statement on Internal Control has been prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and in accordance with the Guidance for Directors of Public Listed Companies.

BOARD RESPONSIBILITY

The Board recognises the importance of maintaining a sound system of internal controls and risk management practices within the Group and affirms its responsibility to review the adequacy and effectiveness of these systems and processes on a regular basis. The system of internal controls is designed to provide reasonable assurance on the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. It is also meant to effectively manage business risks towards the achievement of objectives so as to enhance the value of shareholders' investments and to safeguard the Group's assets.

However, as in any system of internal control, it is designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore, it can only provide reasonable and not absolute assurance against material misstatement or loss.

INTERNAL CONTROL FRAMEWORK

The key components of the Group's internal control framework are as follows:

Board and Management Committees

The Group has established several committees to assist the Board and management in discharging their responsibilities and the objectives of these committees are clearly spelt out in their terms of reference.

The Executive Committee is established to formulate strategic business plans, directions and policies for the Group and makes appropriate recommendations for the approval of the Board. The Top Management Committee is established to manage all aspects of the Group's business and to oversee the implementation of the approved business plans and policies. Other committees such as Tender Committee, Agreement Committee and Risk Management Committee are established to ensure that management abides by approved policies and procedures and best practices in the evaluation and award of tendered purchases, drafting of legal documentation and implementation of risk management practices to safeguard the Group's interests.

Organisation Structure

The Board has established a formal organisation structure for the Group with delineated lines of authority, responsibility and accountability. It has put in place suitably qualified and experienced management personnel to head the Group's diverse operating units into delivering results and their performance are measured against the Key Performance Indicators that are approved by the Board.

Authority limits

The Board has established authority limits for approving revenue and capital expenditures for each level of management and also established cheque signatories for approving payments. Major capital investments, acquisitions and disposals exceeding a certain threshold must be referred to the Board or relevant Committee for approval.

Enterprise Risk Management

The Enterprise Risk Management framework adopted by the Group is a structured and disciplined approach to align its strategy, processes, people, technology and knowledge in evaluating and managing business risks. This involves updating of principal risks across all the operating divisions periodically and timely reporting of these risks to the attention of the Audit Committee and the Board.

At the Group level, Risk Management Committee is entrusted to deliberate the Enterprise Risk Management agendas. It comprises senior management and is chaired by a Chief Risk Officer who is also the Director of Finance. The Risk Management Committee functions within the authority of the charter and the risk policy and guidelines approved by the Board.

A Risk Management Department was established to assist the Risk Management Committee. It is responsible for the ongoing development of the Enterprise Risk Management process which includes coordination with the respective risk management units in monitoring risks, formulating risk treatment plans and conducting risk management trainings and awareness for risks owners.

During the year, the Group continuously carried out a series of risk assessment exercises via interviews and/or workshops with senior management/management across the Group to identify, prioritize, evaluate and rate all key risks and controls affecting the Group in achieving its business objectives. These risk assessment exercises cover foreign operations in Brunei and Singapore. The result from these exercises was presented to the Audit Committee and the Board.

Audit Committee

The Board recognises that the Audit Committee forms an integral part of the Group's internal control and risk management framework and in promoting good corporate governance. The Audit Committee performs an important oversight role in maintaining the integrity of the Group's system of internal control and risk management practices. The Audit Committee is assisted by the internal auditors and has access to the external auditor and the Chief Risk Officer. The activities of the Audit Committee and internal audit function are reported in the Audit Committee Report on pages 84 to 87.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Complementing the broad internal control and risk management framework are various control processes that have been implemented by the Group. Some of the key control processes are as follows:

Budgets

Annual budgets are prepared by each operating division and consolidated by Group Finance Department. These are thoroughly reviewed before they are tabled to the Top Management Committee, Executive Committee and the Board for approval.

Performance monitoring

The Group's performance is monitored by Group Finance Department who prepares monthly management accounts that compares against the approved budget. The monthly management accounts are reviewed and deliberated by management in its monthly operations meeting and a copy is extended to the Executive Committee for review.

The Board monitors the Group's performance by reviewing the quarterly results and operations and examines the announcement to be made to the Bursa Securities. These are usually reviewed by the Audit Committee before they are tabled to the Board.

Human resource

There are policies and procedures for recruitment, performance appraisals and promotion to ensure that suitably qualified and competent personnel across all levels of management are hired and retained. The Group is also dedicated to continuously develop employees with the relevant and appropriate skills by conducting regular training programs that are tailored for restaurant excellence as well as corporate and leadership programs for the support staff.

STATEMENT ON INTERNAL CONTROL

Procurement
There is a centralised and coordinated procurement function for major purchases of assets and inventory, project development and maintenance expenditures which enables the Group to leverage on economies of scale and ensures adherence to authority limits, policies and procedures. Aided by an integrated purchasing, inventory and accounting system, the Group is capable of keeping track of the accuracy, integrity and recording of its assets and expenditures. Significant capital and revenue expenditures exceeding a certain value are subjected to tender procedures and appraised by the Tender Committee before they are approved by the Board or relevant Committee.

Regulatory and *Halal* compliance
The Group adheres strictly to health, safety and environmental regulations and complies with *halal* standards and is subjected to regular inspections by the relevant government authorities. Quality Assurance department conducts product safety and quality audits at restaurants and the entire supply chain on an ongoing basis. The Group has also established a Shariah Advisory and Compliance department to perform regular *halal* audits and to liaise closely with the government agencies on *halal* related matters.

CONCLUSION

The Board is of the view that the present system of internal control is adequate for the Group to manage its risks and to achieve its business objectives. The Board is committed in ensuring that the Group continuously reviews the internal control system so that it is effective in enhancing shareholders' investments and safeguarding the Group's assets.

ADDITIONAL COMPLIANCE INFORMATION

1. NON-AUDIT FEES

The amount of non-audit fees paid and payable to the external auditors and their affiliated company by the Group for the financial year ended 31 December 2010 is as follows:-

	RM'000
KPMG Tax Services Sdn Bhd	19
KPMG	56
Total	75

2. MATERIAL CONTRACTS

Other than those disclosed in the financial statements on pages 178 to 179, there are no material contract including contracts relating to any loans entered into by the Group and its subsidiaries involving Directors and major shareholders' interest.

3. DISCLOSURE OF THE RESTRICTIVE COVENANT CLAUSE IN THE INTERNATIONAL FRANCHISE AGREEMENTS ("IFA") GOVERNING KFC FRANCHISE

KFCH group operates KFC restaurants in Malaysia, Singapore, Brunei and Pune and Mumbai, India under the International Franchise Agreements entered into with the Franchisor. The right to develop KFC restaurants in Malaysia, Singapore and Brunei is granted to KFCH by the Franchisor under the Development Agreements entered into with the Franchisor.

Any occurrence of events of default under the International Franchise Agreements may lead to the termination of the KFC franchise by the Franchisor. The International Franchise Agreements and/or Development Agreements are also subject to renewal.

The International Franchise Agreements also contain a covenant which requires the consent of the Franchisor for any direct or indirect acquisition by any third party competitor of QSR and/or KFCH or any third party holding twenty percent (20%) or more of QSR and/or KFCH, failing which the Franchisor may terminate the International Franchise Agreements and/or adopt any of the remedies specified in the International Franchise Agreements. As KFCH is listed on Bursa Securities and the respective shares are freely traded, any person, whether individually or together with persons acting in concert, could possibly acquire more than twenty percent (20%) of the voting shares of KFCH without obtaining the consent of the Franchisor. As such, if the Franchisor does not consent to any such acquisition, the Franchisor may terminate the International Franchise Agreements or choose not to renew the International Franchise Agreements upon the expiry.

ADDITIONAL COMPLIANCE INFORMATION

4. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE AND/OR TRADING NATURE ("RRPT")

The aggregate value of the RRPT conducted pursuant to the shareholders' mandate during the financial year under review between the Company and/or its subsidiary companies with related parties are set out below:-

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
~ Ayamas Food Corporation Sdn Bhd ("Ayamas") ~ KFC Marketing Sdn Bhd ("KFC Marketing")	• Pizza Hut Restaurants Sdn Bhd ("PHR") • Kampuchea Food Corporation Co Limited ("Kampuchea")	Ayamas and KFC Marketing sale of prime cut chicken and further processed products to PHR and Kampuchea	PHR is a wholly owned subsidiary of Pizza Hut Holdings (Malaysia) Sdn Bhd ("PH"). PH is a wholly owned subsidiary of QSR Brands Bhd ("QSR"). QSR is the holding company of KFC Holdings (Malaysia) Bhd ("KFCH"). Kulim (Malaysia) Berhad ("Kulim") is the holding company of QSR. Johor Corporation ("JCorp") is the holding corporation of Kulim. Kampuchea is a subsidiary of QSR.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** QSR/QSR Ventures Sdn Bhd ("QSR Ventures") Kulim JCorp	27,709
KFC Manufacturing Sdn Bhd ("KFCM")	• PHR • Kampuchea	KFCM sale of packaging materials, spare parts and bakery products to PHR & Kampuchea	PHR is a wholly owned subsidiary of PH. PH is a wholly owned subsidiary of QSR. Kampuchea is a subsidiary of QSR.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** QSR/QSR Ventures Kulim JCorp	58,678

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
KFC (Peninsular Malaysia) Sdn Bhd ("KFCPM")	~ PHR ~ Kampuchea	KFCPM sale of vegetables, salad and coleslaw to PHR and Kampuchea	PHR is a wholly owned subsidiary of PH. PH is a wholly owned subsidiary of QSR. Kampuchea is a subsidiary of QSR.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** QSR/QSR Ventures Kulim JCorp	1,429
Region Food Industries Sdn Bhd ("RFISB")	~ Pizza Hut Singapore Pte Ltd ("PH Singapore") ~ PHR	RFISB sale of chilli and tomato sauces to PH Singapore and PHR	PH Singapore is a wholly owned subsidiary of Multibrand QSR Holdings Pte Ltd ("Multibrand"). Multibrand is a wholly owned subsidiary of PH. PH is a wholly owned subsidiary of QSR. PHR is a wholly owned subsidiary of PH. PH is a wholly owned subsidiary of QSR.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** QSR/QSR Ventures Kulim JCorp	867

ADDITIONAL COMPLIANCE INFORMATION

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
~ SPM Restaurants Sdn Bhd ("SPM") ~ Kentucky Fried Chicken (Malaysia) Sdn Bhd ("KFC(M)") ~ KFCPM	PHR	Payment of monthly rental by PHR to SPM, KFC(M) and KFCPM for the following properties:- 1. KFCPM – Lot PT 15144, Jalan Kepong, Batu 6½, 52100 Kuala Lumpur (5,617 sq ft) 2. KFCPM – Lot PT 6878 Jalan 8/27A, Wangsa Maju, 53300 Kuala Lumpur (5,793 sq ft) 3. SPM – 9 Jalan Taiping, 41400 Klang (3,300 sq ft) 4. SPM – 1 & 1.1 Jalan Niaga, Pusat Perniagaan, Jalan Mawai 81900 Kota Tinggi (2,273 sq ft) 5. KFC(M) – Lot 14083 Jalan Kuchai Lama, 58200 Kuala Lumpur (4,467 sq ft) Tenancy Agreements for the above properties are for a period of 3 years.	PHR is a wholly owned subsidiary of PH. PH is a wholly owned subsidiary of QSR.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** QSR/QSR Ventures Kulim JCorp	814

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
~ KFCH ~ KFCM ~ KFC(M) ~ KFCPM	JKing Sdn Bhd ("JKing")	KFCH, KFCM, KFC(M) and KFCPM purchase of apparels from JKing	JKing is a subsidiary of Johor Franchise Development Sdn Bhd which in turn is a wholly owned subsidiary of JCorp. JCorp is the holding corporation of QSR via its direct and indirect shareholdings (through Kulim).	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	NIL
~ Ayamas ~ KFCPM ~ Rasamas Holdings Sdn Bhd ("Rasamas Holdings") ~ Ayamas Shoppe Sdn Bhd (Formerly known as Kedai Ayamas Sdn Bhd) ("KAY")	Rajaudang Trading Sdn Bhd ("Rajaudang")	Ayamas, KFCPM, Rasamas Holdings and KAY purchase of processed chicken and rice from Rajaudang	Rajaudang is a subsidiary of Rajaudang Aquaculture Sdn Bhd which in turn is a subsidiary of Johor Ventures Sdn Bhd. Johor Ventures Sdn Bhd is a wholly owned subsidiary of Johor Capital Holdings Sdn Bhd which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	6,416
~ RFISB ~ KFCM ~ Tepak Marketing Sdn Bhd ("Tepak")	Rajaudang	RFISB, KFCM and Tepak sale of sauce, Deli Pai, Sardine Roll and Zippie drinks to Rajaudang	Rajaudang is a subsidiary of Rajaudang Aquaculture Sdn Bhd which in turn is a subsidiary of Johor Ventures Sdn Bhd. Johor Ventures Sdn Bhd is a wholly owned subsidiary of Johor Capital Holdings Sdn Bhd which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail. **Interested Major Shareholder** JCorp	172

ADDITIONAL COMPLIANCE INFORMATION

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
~ KFC Marketing ~ Tepak	Hotel Selesa JB Sdn Bhd ("Hotel Selesa JB")	KFC Marketing and Tepak sale of chicken products and Zippie products to Hotel Selesa JB	Hotel Selesa JB is a wholly owned subsidiary of Kumpulan Penambang (Johor) Sdn Bhd which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	19
KFC Marketing	Damansara Specialist Hospital Sdn Bhd ("Damansara Specialist")	KFC Marketing sale of chicken products to Damansara Specialist	Damansara Specialist is a subsidiary of Kumpulan Perubatan (Johor) Sdn Bhd which in turn is a wholly owned subsidiary of KPJ Healthcare Berhad. KPJ Healthcare Berhad is a subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	NIL
KFCH	Metro Parking (M) Sdn Bhd ("Metro Parking")	KFCH's payment of season parking fees to Metro Parking at Wisma KFC. The parking facility at Wisma KFC is managed by Metro Parking	Metro Parking is a subsidiary of Sindora Berhad which in turn is a subsidiary of Kulim. Kulim is a subsidiary company of JCorp whilst Metro Parking is an associate company of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** Kulim JCorp	128

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
KFCH	Metro Parking	Monthly rental received by KFCH from Metro Parking for rental of the parking lots located at the basements and Levels 4 to 8 of Wisma KFC	Metro Parking is a subsidiary of Sindora Berhad which in turn is a subsidiary of Kulim. Kulim is a subsidiary company of JCorp whilst Metro Parking is an associate company of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** Kulim JCorp	210
~ KFCH ~ Tepak ~ Rasamas Bangi Sdn Bhd ("Rasamas Bangi") ~ Rasamas Taman Universiti Sdn Bhd ("Rasamas Taman Universiti") ~ Rasamas Batu Caves Sdn Bhd ("Rasamas Batu Caves") ~ Rasamas Tebrau Sdn Bhd ("Rasamas Tebrau") ~ Rasamas Larkin Sdn Bhd ("Rasamas Larkin") ~ Rasamas Holdings ~ Ayamas Feedmill Sdn Bhd ("Ayamas Feedmill") ~ Ayamas Farms & Hatchery Sdn Bhd ('Ayamas Farms & Hatchery")	Pro Corporate Management Services Sdn Bhd ("Pro Corporate')	KFCH, Tepak, Rasamas Bangi, Rasamas Taman Universiti, Rasamas Batu Caves, Rasamas Tebrau, Rasamas Larkin, Rasamas Holdings, Ayamas Feedmill, Ayamas Farms & Hatchery, Semangat Juara, Rasamas Melaka, Rasamas BC, Rasamas Terminal Larkin, Rasamas Mergong, Rasamas Nilai, Rasamas Endah Parade, Rasamas Kota Bharu, Rasamas Butterworth, Rasamas Bukit Tinggi, Rasamas Wangsa Maju and Rasamas Subang's payment of share registrar and secretarial services fees to Pro Corporate	Pro Corporate is a wholly owned subsidiary of Kumpulan Penambang (Johor) Sdn Bhd which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	497

ADDITIONAL COMPLIANCE INFORMATION

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
~ Semangat Juara Sdn Bhd ("Semangat Juara") ~ Rasamas Melaka Sdn Bhd ("Rasamas Melaka") ~ Rasamas BC Sdn Bhd ("Rasamas BC") ~ Rasamas Terminal Larkin Sdn Bhd ("Rasamas Terminal Larkin") ~ Rasamas Mergong Sdn Bhd ("Rasamas Mergong") ~ Rasamas Nilai Sdn Bhd ("Rasamas Nilai") ~ Rasamas Endah Parade Sdn Bhd ("Rasamas Endah Parade") ~ Rasamas Kota Bharu Sdn Bhd ("Rasamas Kota Bharu") ~ Rasamas Butterworth Sdn Bhd ("Rasamas Butterworth") ~ Rasamas Bukit Tinggi Sdn Bhd ("Rasamas Bukit Tinggi") ~ Rasamas Wangsa Maju Sdn Bhd ("Rasamas Wangsa Maju") ~ Rasamas Subang Sdn Bhd ("Rasamas Subang")					

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
KFC Marketing	Pusat Pakar Tawakal Sdn Bhd ("Pusat Pakar Tawakal")	KFC Marketing sale of chicken products to Pusat Pakar Tawakal	Pusat Pakar Tawakal is a subsidiary of Tawakal Holdings Sdn Bhd which in turn is a wholly owned subsidiary of KPJ Healthcare Berhad. KPJ Healthcare Berhad is a subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	NIL
~ KFCH ~ Ayamas ~ KFCPM	Teraju Fokus Sdn Bhd ("Teraju Fokus")	KFCH, Ayamas and KFCPM's payment to Teraju Fokus for the provision of security services by Teraju Fokus	JCorp owned 30% equity interest in Teraju Fokus.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	165
KFCH	Pelaburan Johor Berhad ("Pelaburan Johor")	KFCH's payment to Pelaburan Johor for the provision of administrative services (transportation and clerical services) in Johor	Pelaburan Johor is a wholly owned subsidiary of Permodalan Teras Sdn Bhd which in turn is a wholly owned subsidiary of Johor Franchise Development Sdn Bhd. Johor Franchise Development Sdn Bhd is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	NIL

ADDITIONAL COMPLIANCE INFORMATION

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
~ KFCH ~ KFCPM ~ KFCM ~ Ayamas ~ Tepak ~ Rasamas Holdings ~ Rasamas Bangi ~ Rasamas Taman Universiti ~ Rasamas Tebrau ~ Rasamas Batu Caves	JCorp	KFCH, KFCPM, KFCM, Ayamas, Tepak, Rasamas Holdings, Rasamas Bangi, Rasamas Taman Universiti, Rasamas Tebrau and Rasamas Batu Caves' payment to JCorp for the secretarial services and seminars	JCorp is the holding corporation of QSR via its direct and indirect shareholdings (through Kulim).	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	115
~ KFCH ~ KFCPM ~ Rasamas Holdings	TMR Urusharta (M) Sdn Bhd ("TMR")	KFCH, KFCPM and Rasamas Holdings' payment to TMR for the provision of building and maintenance services	TMR is a subsidiary of Damansara Assets which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	1,025
KFC(M)	SIM Manufacturing Sdn Bhd ("SIM")	KFC(M)'s payment to SIM for the purchase of balloons	SIM is a subsidiary of Skellerup Industries (M) Sdn Bhd which in turn is a wholly owned subsidiary of Kulim. Kulim is a subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** Kulim JCorp	8

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
RFISB Ayamas	Pro Communication Sdn Bhd ("Pro Communication")	RFISB and Ayamas purchase of signboard from Pro Communication	Pro Communication is a subsidiary of Tajasukan Sdn Bhd which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	35
KFC Marketing	Ampang Puteri Specialist Hospital Sdn Bhd ("Ampang Puteri Specialist")	KFC Marketing sale of chicken products to Ampang Puteri Specialist	Ampang Puteri Specialist is a wholly owned subsidiary of Kumpulan Perubatan (Johor) Sdn Bhd which in turn is a wholly owned subsidiary of KPJ Healthcare Berhad. KPJ Healthcare Berhad is a subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	NIL
KFC Marketing	Johor Specialist Hospital Sdn Bhd ("Johor Specialist")	KFC Marketing sale of chicken products to Johor Specialist	Johor Specialist is a wholly owned subsidiary of KPJ Healthcare Berhad. KPJ Healthcare Berhad is a subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	NIL

ADDITIONAL COMPLIANCE INFORMATION

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
Tepak	• Sindora Berhad ("Sindora") • Puteri Hotels Sdn Bhd ("Puteri Hotels") • Akli Resources Sdn Bhd ("Akli") • JTP Trading Sdn Bhd ("JTP") • Hotel Selesa Sdn Bhd ("Hotel Selesa") • Bistari Young Entrepreneur Sdn Bhd ("Bistari Young") • JCorp	Tepak sale of tea and Zippie drinks and packing services to Sindora, Puteri Hotels, Akli, JTP, Hotel Selesa, Bistari Young and JCorp	~ Sindora is a subsidiary of Kulim. Kulim is a subsidiary of JCorp. ~ Puteri Hotels is a wholly owned subsidiary of Kumpulan Penambang (Johor) Sdn Bhd which in turn is a wholly owned subsidiary of JCorp. ~ Akli is a wholly owned subsidiary of EPA Management Sdn Bhd which in turn is a wholly owned subsidiary of Kulim. Kulim is a subsidiary of JCorp. ~ JTP is a subsidiary of Kulim which in turn is a subsidiary of JCorp. JTP is an associate company of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** Kulim JCorp	30

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
			~ Hotel Selesa is a wholly owned subsidiary of Kumpulan Penambang (Johor) Sdn Bhd which in turn is a wholly owned subsidiary of JCorp. ~ Bistari Young is a wholly owned subsidiary of Johor Ventures Sdn Bhd which in turn is a wholly owned subsidiary of Johor Capital Holdings Sdn Bhd. Johor Capital Holdings Sdn Bhd is a wholly owned subsidiary of JCorp. ~ JCorp is the holding corporation of QSR via its direct and indirect shareholdings (through Kulim).		
KFCPM	Bistari Young	KFCPM purchase of Catur Bistari board games from Bistari Young	Bistari Young is a wholly owned subsidiary of Johor Ventures Sdn Bhd which in turn is a wholly owned subsidiary of Johor Capital Holdings Sdn Bhd. Johor Capital Holdings Sdn Bhd is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	67

ADDITIONAL COMPLIANCE INFORMATION

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
KAY	JTP	KAY purchase of frozen chicken from JTP	JTP is a subsidiary of Kulim which in turn is a subsidiary of JCorp. JTP is an associate company of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** Kulim JCorp	NIL
~ KFCH ~ KFCPM ~ KAY ~ Rasamas Holdings ~ Ayamas Integrated Poultry Industry Sdn Bhd ("AIPI") ~ KFCM ~ KFC(M) ~ RFISB ~ KFC (Sabah) Sdn Bhd ("KFC Sabah") ~ KFC (Sarawak) Sdn Bhd ("KFC Sarawak") ~ Ayamas	Pro Office Solutions Sdn Bhd ("Pro Office")	KFCH, KFCPM, KAY, Rasamas Holdings, AIPI, KFCM, KFC(M), RFISB, KFC Sabah, KFC Sarawak and Ayamas' payment to Pro Office for the provision of courier and mailing room services	Pro Office is a subsidiary of Sindora which in turn is a subsidiary of Kulim. Kulim is a subsidiary of JCorp whilst Pro Office is an associate company of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** Kulim JCorp	1,941

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
~ KFC(M) ~ KFCPM ~ KFC Marketing ~ KFCH	The World of Secret Garden Sdn Bhd ("TWSG")	KFC(M), KFCPM, KFC Marketing and KFCH's purchase of TWSG products (toiletries) for souvenirs	TWSG is a wholly owned subsidiary of Johor Franchise Development Sdn Bhd which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	5
Tepak	Syarikat Pengangkutan Maju Bhd ("Sykt Pengangkutan Maju")	Tepak's payment to Sykt Pengangkutan Maju for advertisements of Zippie products	Sykt Pengangkutan Maju is a subsidiary of SPMB Holdings Sdn Bhd which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	NIL
~ Ayamas ~ Tepak	Epasa Shipping Agency Sdn Bhd ("EPASA")	Ayamas' and Tepak's payment to EPASA for the provision of forwarding services	EPASA is a subsidiary of Sindora which in turn is a subsidiary of Kulim.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** Kulim JCorp	66

ADDITIONAL COMPLIANCE INFORMATION

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
~ KFC(M) ~ KFCM ~ KAY	Tepak	Tepak sale of tea and Zippie drinks to KFC(M), KFCM and KAY	Tepak is a subsidiary of KFCH. Sindora which is a subsidiary of Kulim owns 20% whilst JCorp owns 19.99%.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** QSR/QSR Ventures Kulim JCorp	190
KFC Events Sdn Bhd ('KFC Events")	PHR	Payment of commissions by PHR to KFC Events for the sale of vouchers	PHR is a wholly owned subsidiary of PH. PH is a wholly owned subsidiary of QSR.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** QSR/QSR Ventures Kulim JCorp	767

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
KFCPM	Metro Parking	KFCPM's monthly rental payment to Metro Parking for storage space located at Level 1 (Car Park), Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor (264 sq ft)	Metro Parking is a subsidiary of Sindora Berhad which in turn is a subsidiary of Kulim. Kulim is a subsidiary company of JCorp whilst Metro Parking is an associate company of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** Kulim JCorp	6
Tepak	• Sibu Island Resorts Sdn Bhd ("Sibu Island") • Tanjung Tuan Hotel Sdn Bhd ("Tanjung Tuan Hotel") • Kulim	Tepak sale of tea and Zippie drinks and packing services to Sibu Island, Tanjung Tuan Hotel and Kulim	Sibu Island and Tanjung Tuan Hotel are wholly owned subsidiaries of Kumpulan Penambang (Johor) Sdn Bhd which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** Kulim JCorp	NIL

ADDITIONAL COMPLIANCE INFORMATION

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
KFC Marketing	Hotel Selesa	KFC Marketing sale of chicken products to Hotel Selesa	Hotel Selesa is a wholly owned subsidiary of Kumpulan Penambang (Johor) Sdn Bhd which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	19
~ KFCPM ~ KFC Marketing	Tepak	Tepak sale of tea and Zippie drinks to KFCPM and KFC Marketing	Tepak is a subsidiary of KFCH. Sindora which is a subsidiary of Kulim owns 20% whilst JCorp owns 19.99%.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Kua Hwee Sim, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholders** QSR/QSR Ventures Kulim JCorp	63
~ KFC Marketing	Tepak	KFC Marketing's payment to Tepak for transportation services			32

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
KFCPM	Puteri Hotels	Payment of monthly rental by KFCPM to Puteri Hotels for the following property:- 1. Exhibition Food & Beverages, Level 1, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor (2,660.54 sq ft) Tenancy Agreement for the above property is for a period of 3 years.	Puteri Hotels is a wholly owned subsidiary of Kumpulan Penambang (Johor) Sdn Bhd which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	158
Tepak	Johor Skills Development Centre Sdn Bhd ("PUSPATRI")	Tepak's payment to PUSPATRI for the provision of seminars and trainings	PUSPATRI is a subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	NIL

ADDITIONAL COMPLIANCE INFORMATION

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
KFC Marketing	Persada Antarabangsa (Johor) Sdn Bhd ("Persada")	KFC Marketing sale of chicken products to Persada	Persada is a wholly owned subsidiary of Johor Capital Holdings Sdn Bhd which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	1
KFC Marketing	Puteri Hotels	KFC Marketing sale of chicken products to Puteri Hotels	Puteri Hotels is a wholly owned subsidiary of Kumpulan Penambang (Johor) Sdn Bhd which in turn is a wholly owned subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	111
~ KFCH ~ KFCPM ~ KFC(M) ~ Tepak	IPPJ Sdn Bhd ("IPPJ")	KFCH, KFCPM, KFC(M) and Tepak's payment to IPPJ for the provision of seminars and trainings	IPPJ is a subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	1,882

KFCH or subsidiary of KFCH involved in the Recurrent RPT	Name of Related Parties	Nature of Transactions	Nature of relationship with KFCH Group	Relationship of KFCH Group with related parties	Aggregate Value of Transaction RM'000
Rasamas Holdings	~ Damansara Assets Sdn Bhd ("Damansara Assets") ~ TPM Management Sdn Bhd ("TPM")	Payment of monthly rental by Rasamas Holdings to Damansara Assets and TPM for the following properties:- 1. Damansara Assets – L2-35A, Aras Lereng Bukit, Plaza Kotaraya, Jalan Trus, 80000 Johor Bahru, Johor (784 sq ft) 2. TPM – Lot 5B-03(A), Ground Floor, Terminal Larkin Sentral, 81100 Johor Bahru, Johor (1,660 sq ft) Tenancy Agreements for the above properties are for a period of 3 years.	~ Damansara Assets is a wholly owned subsidiary of JCorp. ~ TPM is a subsidiary of Waqaf An-Nur Corporation Berhad (61%) and JCorp (38.39%)	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	153
~ KFCH ~ KAY	Pharmaserv Alliances Sdn Bhd ("Pharmaserv")	KFCH and KAY's payment to Pharmaserv for the purchase of septic solution and surgical mask	Pharmaserv is a wholly owned subsidiary of Kumpulan Perubatan (Johor) Sdn Bhd which in turn is a wholly owned subsidiary of KPJ Healthcare Berhad. KPJ Healthcare Berhad is a subsidiary of JCorp.	**Interested Directors** Kamaruzzaman bin Abu Kassim, Ahamad bin Mohamad, Jamaludin bin Md Ali, Datin Paduka Siti Sa'diah binti Sheikh Bakir and Datuk Ismee bin Ismail **Interested Major Shareholder** JCorp	NIL
				Total	103,778

Succulent Flavours

The enormously popular Syoknya RasaMas reality cook show resulted in the creation of a whole new range of RasaMas Roaster dishes which have now been incorporated into its menu and have proven to be crowd pullers.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 6 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:		
Owners of the Company	156,848	42,029
Minority interests	2,854	—
	159,702	42,029

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 16.0 sen per ordinary share less tax at 25% totalling RM23,793,000 (12.0 sen net per ordinary share) in respect of the year ended 31 December 2009 on 27 May 2010; and

ii) an interim dividend of 10.0 sen per ordinary share less tax at 25% totalling RM14,871,000 (7.5 sen net per ordinary share) in respect of the year ended 31 December 2010 on 30 September 2010.

On 21 February 2011, the Directors declared a second interim dividend of 5.5 sen per ordinary share less tax at 25% totalling approximately RM32,721,000 (4.1 sen net per ordinary share) in respect of the year ended 31 December 2010 payable on 31 March 2011. The Directors do not propose any final dividend for the year ended 31 December 2010.

DIRECTORS OF THE COMPANY

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

Kamaruzzaman bin Abu Kassim	(Appointed as Chairman and Director on 12 January 2011)
Ahamad bin Mohamad	(Deputy Chairman)
Jamaludin bin Md Ali	(Managing Director/Chief Executive Officer)
YBhg Datuk Ismee bin Ismail	
Kua Hwee Sim	
YBhg Datin Paduka Siti Sa'diah binti Sheikh Bakir	
YBhg Tan Sri Dato' Dr Yahya bin Awang	
Hassim bin Baba	
YBhg Tan Sri Dato' Muhammad Ali bin Hashim	(Resigned as Chairman and Director on 12 January 2011)

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 RM0.50 each			
	At 1.1.2010	**Bought**	**(Sold)**	**At 31.12.2010**
Direct interest				
Company				
Ahamad bin Mohamad	—	172,000	—	172,000
Hassim bin Baba	100	300	—	400

	Number of ordinary shares of RM1.00 each			
	At 1.1.2010	**Bought**	**(Sold)**	**At 31.12.2010**
Holding company				
QSR Brands Bhd				
Hassim bin Baba	32	—	—	32
YBhg Datin Paduka Siti Sa'diah binti Sheikh Bakir	1,000	—	—	1,000

	Number of Warrants			
	At 1.1.2010	**Bought**	**(Sold)**	**At 31.12.2010**
Company				
Hassim bin Baba	—	16	—	16
Holding company				
QSR Brands Bhd				
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 2010 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

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

During the financial year, the Company increased its issued and paid-up share capital from 198,274,682 ordinary shares of RM1.00 each to 793,230,984 ordinary shares of RM0.50 each by the issuance of:

a) 198,274,682 new ordinary shares of RM0.50 each per ordinary share as a result of the share split involving the subdivision of every 1 existing share of RM1.00 each into 2 ordinary shares of RM0.50 each.

b) bonus issue of 396,549,364 new ordinary shares of RM0.50 each on the basis of 1 bonus share for every 1 existing ordinary share held after share split.

c) 132,256 new ordinary shares of RM0.50 each upon the conversion of 132,256 warrants at the exercise price for RM3.00 each.

There were no other 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 statements of comprehensive income and statements of financial position 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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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 financial statements of the Group and of the Company 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 (CONTINUED)

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 2010 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 31 to the financial statements.

SUBSEQUENT EVENTS

Details of the subsequent events are disclosed in Note 32 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:

Kamaruzzaman bin Abu Kassim
Chairman

Jamaludin bin Md Ali
Managing Director/Chief Executive Officer

Kuala Lumpur
Date: 15 March 2011

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	Group 31.12.2010 RM'000	Group 31.12.2009 RM'000 restated	Group 1.1.2009 RM'000 restated	Company 31.12.2010 RM'000	Company 31.12.2009 RM'000
Assets						
Property, plant and equipment	3	**999,984**	773,241	678,900	**24,106**	22,347
Intangible assets	4	**73,596**	68,674	69,835	**—**	—
Investment properties	5	**910**	898	898	**—**	—
Investments in subsidiaries	6	**—**	—	—	**395,072**	355,550
Other investments	7	**22,400**	—	—	**22,400**	—
Total non-current assets		**1,096,890**	842,813	749,633	**441,578**	377,897
Other investments		**—**	—	20,203	**—**	—
Inventories	8	**200,797**	172,339	158,474	**—**	—
Trade and other receivables	9	**153,633**	151,869	128,112	**170,362**	247,970
Cash and cash equivalents	10	**131,712**	123,449	97,985	**3,975**	365
Total current assets		**486,142**	447,657	404,774	**174,337**	248,335
Total assets		**1,583,032**	1,290,470	1,154,407	**615,915**	626,232
Equity						
Share capital	11	**396,615**	198,275	198,275	**396,615**	198,275
Reserves	11	**111,406**	45,977	47,705	**11,309**	22,073
Retained earnings	11	**482,226**	547,505	446,178	**177,099**	357,216
Total equity attributable to owners of the Company		**990,247**	791,757	692,158	**585,023**	577,564
Minority interests		**15,025**	12,491	10,232	**—**	—
Total equity		**1,005,272**	804,248	702,390	**585,023**	577,564
Liabilities						
Loans and borrowings	12	**105,845**	84,387	65,944	**—**	20,000
Deferred tax liabilities	13	**51,795**	32,940	31,602	**779**	457
Employee benefits	14	**2,913**	3,099	3,313	**—**	—
Total non-current liabilities		**160,553**	120,426	100,859	**779**	20,457
Trade and other payables	15	**357,164**	321,187	275,424	**10,113**	8,211
Current tax liabilities		**12,697**	12,159	—	**—**	—
Loans and borrowings	12	**46,702**	32,049	75,111	**20,000**	20,000
Employee benefits	14	**644**	401	623	**—**	—
Total current liabilities		**417,207**	365,796	351,158	**30,113**	28,211
Total liabilities		**577,760**	486,222	452,017	**30,892**	48,668
Total equity and liabilities		**1,583,032**	1,290,470	1,154,407	**615,915**	626,232

The notes on pages 124 to 186 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Group 2010 RM'000	Group 2009 RM'000 restated	Company 2010 RM'000	Company 2009 RM'000
Revenue	16	**2,522,358**	2,297,431	**51,337**	77,365
Cost of sales		**(1,167,928)**	(1,078,498)	**—**	—
Gross profit		**1,354,430**	1,218,933	**51,337**	77,365
Other income		**24,905**	21,557	**40,644**	35,598
Administrative expenses		**(127,365)**	(122,394)	**(38,569)**	(33,273)
Selling and marketing expenses		**(1,017,561)**	(914,919)	**—**	—
Other expenses		**(8,212)**	(7,723)	**—**	—
Results from operating activities		**226,197**	195,454	**53,412**	79,690
Finance costs	17	**(4,364)**	(5,439)	**(994)**	(1,805)
Profit before tax	18	**221,833**	190,015	**52,418**	77,885
Income tax expense	20	**(62,131)**	(57,218)	**(10,389)**	(4,669)
Profit for the year		**159,702**	132,797	**42,029**	73,216
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		**(947)**	944	**—**	—
Fair value of available-for-sale financial assets		**1,521**	—	**1,521**	—
Net surplus arising from revaluation of properties		**89,843**	—	**2,252**	—
Total other comprehensive income for the year		**90,417**	944	**3,773**	—
Total comprehensive income for the year		**250,119**	133,741	**45,802**	73,216
Profit attributable to:					
Owners of the Company		**156,848**	130,403	**42,029**	73,216
Minority interests		**2,854**	2,394	**—**	—
Profit for the year		**159,702**	132,797	**42,029**	73,216
Total comprehensive income attributable to:					
Owners of the Company		**247,265**	131,347	**45,802**	73,216
Minority interests		**2,854**	2,394	**—**	—
Total comprehensive income for the year		**250,119**	133,741	**45,802**	73,216
Basic earnings per ordinary share (sen)	21	**19.8**	16.4		
Diluted earnings per ordinary share (sen)	21	**19.6**	—		

The notes on pages 124 to 186 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

		---------- Attributable to owners of the Company ----------									
		---------- Non-distributable ----------						Distributable			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Warrants reserve RM'000**	**Fair value reserve RM'000**	**Translation reserve RM'000**	**Revaluation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Minority interests RM'000**	**Total equity RM'000**
At 1 January 2009		198,275	18,736	—	—	1,128	27,841	446,178	692,158	10,232	702,390
Total comprehensive income for the year		—	—	—	—	944	—	130,403	131,347	2,394	133,741
Reversal of deferred tax	13	—	—	—	—	—	967	—	967	—	967
Transfer from revaluation reserve		—	—	—	—	—	(3,639)	3,639	—	—	—
Increase in minority interests		—	—	—	—	—	—	—	—	288	288
Dividends to shareholders	22	—	—	—	—	—	—	(32,715)	(32,715)	—	(32,715)
Dividends of subsidiaries		—	—	—	—	—	—	—	—	(423)	(423)
At 31 December 2009/ 1 January 2010		**198,275**	**18,736**	**—**	**—**	**2,072**	**25,169**	**547,505**	**791,757**	**12,491**	**804,248**
Total comprehensive income for the year		**—**	**—**	**—**	**1,521**	**(947)**	**89,843**	**156,848**	**247,265**	**2,854**	**250,119**
Deferred tax on revaluation surplus	13	**—**	**—**	**—**	**—**	**—**	**(10,508)**	**—**	**(10,508)**	**—**	**(10,508)**
Transfer from revaluation reserve		**—**	**—**	**—**	**—**	**—**	**(214)**	**214**	**—**	**—**	**—**
Increase in minority interests		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**96**	**96**
Issuance of share capital:											
– bonus issue	11	**198,274**	**(18,721)**	**—**	**—**	**—**	**—**	**(179,553)**	**—**	**—**	**—**
– conversion of warrants	11	**66**	**348**	**(17)**	**—**	**—**	**—**	**—**	**397**	**—**	**397**
Issuance of warrants		**—**	**—**	**4,124**	**—**	**—**	**—**	**(4,124)**	**—**	**—**	**—**
Dividends to shareholders	22	**—**	**—**	**—**	**—**	**—**	**—**	**(38,664)**	**(38,664)**	**—**	**(38,664)**
Dividends of subsidiaries		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(416)**	**(416)**
At 31 December 2010		**396,615**	**363**	**4,107**	**1,521**	**1,125**	**104,290**	**482,226**	**990,247**	**15,025**	**1,005,272**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

Company	Note	Share capital RM'000	Share premium RM'000	Warrants reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total equity RM'000
		------ Non-distributable				------	Distributable	
At 1 January 2009		198,275	18,721	—	—	3,359	316,703	537,058
Total comprehensive income for the year		—	—	—	—	—	73,216	73,216
Reversal of deferred tax	13	—	—	—	—	5	—	5
Transfer from revaluation reserve		—	—	—	—	(12)	12	—
Dividends to shareholders	22	—	—	—	—	—	(32,715)	(32,715)
At 31 December 2009/1 January 2010		**198,275**	**18,721**	**—**	**—**	**3,352**	**357,216**	**577,564**
Total comprehensive income for the year		**—**	**—**	**—**	**1,521**	**2,252**	**42,029**	**45,802**
Deferred tax on revaluation surplus	13	**—**	**—**	**—**	**—**	**(76)**	**—**	**(76)**
Transfer from revaluation reserve		**—**	**—**	**—**	**—**	**(195)**	**195**	**—**
Issuance of share capital:								
– bonus issue	11	**198,274**	**(18,721)**	**—**	**—**	**—**	**(179,553)**	**—**
– conversion of warrants	11	**66**	**348**	**(17)**	**—**	**—**	**—**	**397**
Issuance of warrants		**—**	**—**	**4,124**	**—**	**—**	**(4,124)**	**—**
Dividends to shareholders	22	**—**	**—**	**—**	**—**	**—**	**(38,664)**	**(38,664)**
At 31 December 2010		**396,615**	**348**	**4,107**	**1,521**	**5,333**	**177,099**	**585,023**

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash flows from operating activities				
Profit before tax	**221,833**	190,015	**52,418**	77,885
Adjustments for:				
Amortisation of franchise fees	**6,736**	6,501	**—**	—
Depreciation of property, plant and equipment	**86,590**	76,828	**1,536**	1,129
Finance costs	**4,364**	5,439	**994**	1,805
Loss/(Gain) on disposal of property, plant and equipment	**3,920**	2,137	**(118)**	(149)
Gain on disposal of other investment	**—**	(247)	**—**	—
Dividend income from subsidiaries	**—**	—	**(50,938)**	(77,365)
Interest income	**(402)**	(411)	**(5,997)**	(3,710)
Impairment loss on:				
Goodwill on consolidation	**17**	—	**—**	—
Property, plant and equipment	**10,913**	2,543	**—**	—
Unrealised foreign exchange loss	**—**	944	**—**	—
Reversal on impairment loss of property, plant and equipment	**(17,651)**	—	**—**	—
Operating profit/(loss) before changes in working capital	**316,320**	283,749	**(2,105)**	(405)
Changes in working capital:				
Inventories	**(28,349)**	(13,865)	**—**	—
Trade and other payables	**35,380**	45,763	**1,902**	1,837
Employee benefits	**57**	(436)	**—**	—
Trade and other receivables	**(12,953)**	(13,369)	**1,051**	(1,333)
Subsidiaries	**—**	—	**75,142**	(24,292)
Related companies	**8,401**	(6,539)	**—**	—
Cash generated from/(used in) operations	**318,856**	295,303	**75,990**	(24,193)
Interest paid	**(4,364)**	(5,439)	**(994)**	(1,805)
Taxes paid	**(49,979)**	(46,603)	**(473)**	(112)
Net cash generated from/(used in) operating activities	**264,513**	243,261	**74,523**	(26,110)

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment	**(220,085)**	(178,046)	**(1,885)**	(3,977)
Proceeds from disposal of property, plant and equipment	**2,390**	3,437	**960**	418
Proceeds from minority interests	**—**	288	**—**	—
Proceeds from disposal of other investment	**—**	20,450	**—**	—
Transfer of property, plant and equipment from a related company	**—**	—	**—**	(18)
Transfer of property, plant and equipment to a related company	**—**	84	**—**	—
Purchase of other investments	**(20,879)**	—	**(20,879)**	—
Acquisition of subsidiaries, net of cash acquired	**(9,513)**	—	**(14,000)**	—
Additional investment in subsidiaries	**—**	—	**(25,522)**	(1,300)
Franchise fees	**(5,039)**	(5,340)	**—**	—
Interest received	**402**	411	**5,997**	3,710
Exchange translation adjustments	**(947)**	—	**—**	—
Dividends received from subsidiaries	**—**	—	**42,683**	73,560
Net cash (used in)/generated from investing activities	**(253,671)**	(158,716)	**(12,646)**	72,393
Cash flows from financing activities				
Issuance of shares	**397**	—	**397**	—
Proceeds from bank borrowings	**68,193**	5,588	**—**	—
Repayment of bank borrowings	**(33,105)**	(30,207)	**(20,000)**	(20,000)
Dividends paid to shareholders of the Company	**(38,664)**	(32,715)	**(38,664)**	(32,715)
Dividends paid to minority interests of subsidiaries	**(416)**	(423)	**—**	—
Net cash used in financing activities	**(3,595)**	(57,757)	**(58,267)**	(52,715)
Net increase/(decrease) in cash and cash equivalents	**7,247**	26,788	**3,610**	(6,432)
Effect of exchange rate fluctuations on cash held	**1,016**	(1,324)	**—**	—
Cash and cash equivalents at 1 January	**123,449**	97,985	**365**	6,797
Cash and cash equivalents at 31 December	**131,712**	123,449	**3,975**	365

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash in hand and at banks	**78,819**	40,366	**3,850**	365
Deposits with licensed banks	**52,893**	83,083	**125**	—
	131,712	123,449	**3,975**	365

The notes on pages 124 to 186 are an integral part of these financial statements.

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 2010 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 2010 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 6 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 2011.

1. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

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 for the Group and the Company:

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

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

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 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Company Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

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

- 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 March 2010, 1 July 2010 or 1 January 2011, except for IC Interpretations 12 and 18 which are not applicable to the Group and the Company; and

- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 or 1 January 2012, except for IC Interpretation 15 which is not applicable to the Group and the Company.

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

The initial applications of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

Following the announcement by the MASB on 1 August 2008, the Group and the Company's financial statements will be prepared in accordance with the International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 January 2012.

(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:

- Note 2(c) – Financial instruments
- Note 2(d) – Property, plant and equipment
- Note 2(g) – Investment properties

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(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 in conformity with FRSs 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.

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 5 – valuation of investment properties
- Note 13 – recognition of unutilised tax losses and capital allowances
- Note 14 – 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, other than those disclosed in the following notes:

- Note 2(c) – Financial instruments
- Note 2(e) – Leased assets
- Note 2(g) – Investment properties
- Note 2(p) – Borrowing costs
- Note 2(s) – Operating segments

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated 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.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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 profit or loss.

When the Group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority interests holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Minority interests

Minority interests at the end of the reporting period, 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 statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented in the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between minority interests and the owners 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 Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value 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 profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(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 end of the reporting period, 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 foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

(c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in note 33.

(i) Initial recognition and measurement

A financial asset or a liability is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(k)(i)).

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(d) 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 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 and replacement cost where appropriate.

Where 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.

The 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 profit or loss. 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.

Surplus arising from revaluation is dealt with in the profit and loss to the extent of a previous decrease for the same property and the net surplus is then 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 recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(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 profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

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

• Buildings	20 – 50 years
• Leasehold land	45 – 999 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 profit or loss as and when incurred.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

(e) 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 in the statement of financial position of the Group. 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.

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

The Group has adopted the amendment made to FRS 117, *Leases* in 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations 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 profit or loss.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill and other intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that it may be impaired.

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

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(g) 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 profit or loss for the period in which they arise.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties (continued)

(i) Investment properties carried at fair value (continued)

An investment property under construction before 1 January 2010 was classified as property, plant and equipment and measured at cost. Such property is stated at cost until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

Following the amendment made to FRS 140, *Investment Property*, with effect from 1 January 2010, investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in other comprehensive income and accumulated in equity as revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(iii) 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 livestocks, 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.

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(i) Receivables and deposits

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with note 2(c).

(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 bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy note 2(c).

(k) Impairment of assets

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(i) Financial assets (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax asset, assets arising from employee benefits, investment property that is measured at fair value and non-current assets [or disposal groups] classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. 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.

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.

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 profit or loss. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(ii) Non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period 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 since the last impairment loss was recognised. 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 had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(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) 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 liability 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 contributions to statutory pension funds are charged to the profit or loss 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 period 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 dated 5 March 2010 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

(ii) Defined benefit plans (continued)

In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or any settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the profit or loss 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 profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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.

(o) Revenue and other income

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income (continued)

(ii) Rental income

Rental income from investment property is recognised in the profit or loss 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. Rental income from subleased property is recognised as other income.

(iii) Dividend income

Dividend income is recognised in profit or loss when the right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues, using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Before 1 January 2010, all borrowing costs were recognised in profit or loss using the effective interest method in the period in which they are incurred.

Following the adoption of FRS 123, *Borrowing Costs*, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Tax expense (continued)

Deferred tax is recognised using the liability 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 end of the reporting period.

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 end of each reporting period 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.

(r) 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.

(s) Operating segments

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

Following the adoption of FRS 8, *Operating Segments*, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold 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
Cost/Valuation								
At 1 January 2009, restated	168,622	73,708	209,912	174,511	173,316	34,147	336,602	1,170,818
Additions	4,137	5,722	12,527	52,269	25,503	6,382	71,506	178,046
Disposals/Write off	—	(871)	(1,618)	(13,062)	(7,130)	(4,124)	(50,655)	(77,460)
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
At 31 December 2009/ 1 January 2010, restated	**172,759**	**78,559**	**220,943**	**215,154**	**191,689**	**36,685**	**358,583**	**1,274,372**
Additions	**16,297**	**3,357**	**2,468**	**74,577**	**24,612**	**3,612**	**95,162**	**220,085**
Acquisition of subsidiaries	**—**	**—**	**3,227**	**178**	**—**	**118**	**2,018**	**5,541**
Disposals/Write off	**(768)**	**—**	**(1,242)**	**(10,943)**	**(1,235)**	**(3,440)**	**(18,470)**	**(36,098)**
Effect of movement in exchange rates	**—**	**—**	**(104)**	**(1,535)**	**—**	**(78)**	**(1,191)**	**(2,908)**
Revaluation surplus	**38,619**	**28,113**	**18,830**	**—**	**—**	**—**	**—**	**85,562**
At 31 December 2010	**226,907**	**110,029**	**244,122**	**277,431**	**215,066**	**36,897**	**436,102**	**1,546,554**
Representing:								
At cost	**—**	**—**	**31,532**	**277,431**	**215,066**	**36,897**	**436,102**	**997,028**
At valuation	**226,907**	**110,029**	**212,590**	**—**	**—**	**—**	**—**	**549,526**
At 31 December 2010	**226,907**	**110,029**	**244,122**	**277,431**	**215,066**	**36,897**	**436,102**	**1,546,554**

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold 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
Depreciation and impairment loss								
At 1 January 2009, restated								
Accumulated depreciation	—	2,596	31,430	79,329	101,213	26,172	161,712	402,452
Accumulated impairment losses	58,733	7,271	23,462	—	—	—	—	89,466
	58,733	9,867	54,892	79,329	101,213	26,172	161,712	491,918
Depreciation for the year	—	825	5,210	20,268	13,695	2,701	34,129	76,828
Disposals/Write off	—	(45)	(690)	(12,316)	(6,922)	(4,087)	(47,826)	(71,886)
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
At 31 December 2009, restated								
Accumulated depreciation	—	3,376	36,598	88,224	107,986	24,895	148,682	409,761
Accumulated impairment losses	58,733	7,271	22,823	1,276	—	—	1,267	91,370
Balance carried forward	58,733	10,647	59,421	89,500	107,986	24,895	149,949	501,131

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold 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
Depreciation and impairment loss								
Balance brought forward	58,733	10,647	59,421	89,500	107,986	24,895	149,949	501,131
Depreciation for the year	—	927	5,164	22,894	16,015	3,504	38,086	86,590
Acquisition of subsidiaries	—	—	249	64	—	100	1,123	1,536
Disposals/Write off	—	—	(1,242)	(9,986)	(1,167)	(2,976)	(14,417)	(29,788)
Effect of movement in exchange rates	—	—	(13)	(988)	—	(45)	(846)	(1,892)
Reversal of impairment loss	(2,265)	(6,298)	(2,444)	—	—	—	—	(11,007)
At 31 December 2010:								
Accumulated depreciation	—	4,303	40,756	101,484	122,834	25,478	173,895	468,750
Accumulated impairment losses	56,468	973	20,379	—	—	—	—	77,820
	56,468	5,276	61,135	101,484	122,834	25,478	173,895	546,570
Carrying amounts								
At 1 January 2009, restated	109,889	63,841	155,020	95,182	72,103	7,975	174,890	678,900
At 31 December 2009/ 1 January 2010, restated	114,026	67,912	161,522	125,654	83,703	11,790	208,634	773,241
At 31 December 2010	170,439	104,753	182,987	175,947	92,232	11,419	262,207	999,984

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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
Cost/Valuation						
At 1 January 2009	14,647	2,260	608	2,450	5,102	25,067
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)
At 31 December 2009/ 1 January 2010	**14,647**	**2,260**	**558**	**2,870**	**4,639**	**24,974**
Additions	**—**	**—**	**82**	**499**	**1,304**	**1,885**
Disposals/Write off	**(769)**	**—**	**—**	**(722)**	**(55)**	**(1,546)**
Revaluation surplus	**1,938**	**314**	**—**	**—**	**—**	**2,252**
At 31 December 2010	**15,816**	**2,574**	**640**	**2,647**	**5,888**	**27,565**
Representing:						
At cost	**—**	**—**	**640**	**2,647**	**5,888**	**9,175**
At valuation	**15,816**	**2,574**	**—**	**—**	**—**	**18,390**
At 31 December 2010	**15,816**	**2,574**	**640**	**2,647**	**5,888**	**27,565**
Depreciation						
At 1 January 2009	—	160	179	2,019	2,959	5,317
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)
At 31 December 2009/ 1 January 2010	**—**	**212**	**185**	**1,019**	**1,211**	**2,627**
Depreciation for the year	**—**	**52**	**65**	**515**	**904**	**1,536**
Disposals/Write off	**—**	**—**	**—**	**(662)**	**(42)**	**(704)**
At 31 December 2010	**—**	**264**	**250**	**872**	**2,073**	**3,459**
Carrying amounts						
At 1 January 2009	14,647	2,100	429	431	2,143	19,750
At 31 December 2009/ 1 January 2010	**14,647**	**2,048**	**373**	**1,851**	**3,428**	**22,347**
At 31 December 2010	**15,816**	**2,310**	**390**	**1,775**	**3,815**	**24,106**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Impairment loss

The Group had recognised impairment loss of RM11,377,000 as a result of the valuation conducted during the year.

Impairment loss of RM10,913,000 has been recognised in other expenses, while the remaining RM464,000 has been recognised in the revaluation reserve.

3.2 Security

At 31 December 2010, properties with a carrying amount of RM85,130,000 (2009 – RM63,344,000) are pledged as securities for term loans (Note 12).

3.3 Property, plant and equipment under the revaluation model

The Group's freehold land, leasehold land and buildings were revalued on 15 December 2010 by an independent professional qualified valuer using the open market value method. Had the freehold land, leasehold 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 2010 as follows:

Group	Cost RM'000	Accumulated depreciation RM'000	Net carrying amount RM'000
At 31 December 2010			
Freehold land	**159,184**	**—**	**159,184**
Leasehold land	**85,365**	**3,836**	**81,529**
Buildings	**210,116**	**51,466**	**158,650**
	454,665	**55,302**	**399,363**
At 31 December 2009			
Freehold land	147,741	—	147,741
Leasehold land	65,347	3,148	62,199
Buildings	189,650	41,573	148,077
	402,738	44,721	358,017
Company			
At 31 December 2010			
Freehold land	**10,901**	**—**	**10,901**
Buildings	**2,172**	**414**	**1,758**
	13,073	**414**	**12,659**
At 31 December 2009			
Freehold land	9,863	—	9,863
Buildings	1,152	315	837
	11,015	315	10,700

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

3.5 Land

Included in the carrying amounts of land are:

	Group		Company	
	2010 RM'000	2009 RM'000 restated	2010 RM'000	2009 RM'000 restated
Freehold land	**170,439**	114,026	**15,816**	14,647
Leasehold land with unexpired lease period of more than 50 years	**103,507**	67,156	**—**	—
Leasehold land with unexpired lease period of less than 50 years	**1,246**	756	**—**	—
	275,192	181,938	**15,816**	14,647

The carrying amounts of land at 1 January 2009 and 31 December 2009 have been adjusted following the adoption of the amendments to FRS 117, *Leases*, where leasehold land, in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment.

4. INTANGIBLE ASSETS

Group	Goodwill on consolidation RM'000	Franchise fees RM'000	Total RM'000
Cost			
At 1 January 2009	44,965	50,191	95,156
Additions	—	5,340	5,340
Write off	—	(6,749)	(6,749)
At 31 December 2009/1 January 2010	**44,965**	**48,782**	**93,747**
Additions	**6,636**	**5,039**	**11,675**
Write off	**—**	**(2,008)**	**(2,008)**
At 31 December 2010	**51,601**	**51,813**	**103,414**

4. INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill on consolidation RM'000	Franchise fees RM'000	Total RM'000
Accumulated amortisation			
At 1 January 2009	1,566	23,755	25,321
Amortisation for the year	—	6,501	6,501
Write off	—	(6,749)	(6,749)
At 31 December 2009/1 January 2010	**1,566**	**23,507**	**25,073**
Amortisation for the year	**—**	**6,736**	**6,736**
Impairment Loss	**17**	**—**	**17**
Write off	**—**	**(2,008)**	**(2,008)**
At 31 December 2010	**1,583**	**28,235**	**29,818**
Carrying amounts			
At 1 January 2009	43,399	26,436	69,835
At 31 December 2009/1 January 2010	**43,399**	**25,275**	**68,674**
At 31 December 2010	**50,018**	**23,578**	**73,596**

Impairment testing for cash-generating units (CGU) 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:

Group	2010 RM'000	2009 RM'000
Restaurants	**22,658**	21,355
Integrated poultry	**20,297**	20,297
Ancillary	**7,063**	1,747
	50,018	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% (2009 – 4%). The growth rate does not exceed the average historical growth rate over the long term for the industry.

NOTES TO THE FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS (CONTINUED)

Impairment testing for cash-generating units (CGU) containing goodwill (continued)

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. INVESTMENT PROPERTIES

	Group	
	2010	**2009**
	RM'000	**RM'000**
At 1 January	**898**	898
Revaluation surplus	**12**	—
At 31 December	**910**	898
Included in the above are:		
Leasehold land with unexpired lease period of more than 50 years	**590**	692
Buildings	**320**	206
	910	898

The rental income earned by the Group for the year ended 31 December 2010 from its investment properties, all of which are leased out under operating leases, amounted to RM69,000 (2009 – RM66,000). There were no direct operating expenses (including repair and maintenance) arising from investment properties.

6. INVESTMENTS IN SUBSIDIARIES

	Company 2010 RM'000	Company 2009 RM'000
At cost:		
Unquoted shares	**459,127**	419,605
Less: Accumulated impairment losses	**(64,055)**	(64,055)
	395,072	355,550

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2010 %	Effective ownership interest 2009 %
Held by the Company:				
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
Cilik Bistari Sdn Bhd	Malaysia	Sale of board games	**100.0**	100.0
Gratings Solar Sdn Bhd	Malaysia	Trading of solar equipment	**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	Malaysia	Investment holding	**100.0**	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
Paramount Holdings (M) Sdn Bhd	Malaysia	College/learning institute	**100.0**	—
Paramount Management Sdn Bhd	Malaysia	Property holding	**100.0**	—
Region Food Industries Sdn Bhd	Malaysia	Sauce manufacturing plant	**100.0**	100.0
Roaster's Chicken Sdn Bhd	Malaysia	Investment holding	**100.0**	100.0
WP Properties Holdings Sdn Bhd	Malaysia	Investment holding	**100.0**	100.0

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2010 %	2009 %
Held by the Company (continued):				
Tepak Marketing Sdn Bhd	Malaysia	Contract packing	**55.0**	55.0
Bakers' Street Sdn Bhd	Malaysia	Dormant	**100.0**	100.0
Cemerlang Sinergi Sdn Bhd	Malaysia	Dormant	**100.0**	—
Efinite Revenue Sdn Bhd	Malaysia	Dormant	**100.0**	—
Rangeview Sdn Bhd	Malaysia	Dormant	**100.0**	100.0
Restoran Keluarga Sdn Bhd	Malaysia	Dormant	**100.0**	100.0
Signature Chef Dining Services Sdn Bhd	Malaysia	Dormant	**100.0**	100.0
Signature Chef Foodservice & Catering Sdn Bhd	Malaysia	Dormant	**100.0**	100.0
Hiei Food Industries Sdn Bhd	Malaysia	Dormant	**81.0**	81.0
Yayasan Amal Bistari	Malaysia	Dormant	**70.0**	—
Held through subsidiaries:				
Ayamas Shoppe Sdn Bhd (formerly known as Kedai Ayamas Sdn Bhd)	Malaysia	Poultry retail and convenience food store chain Investment holding	**100.0**	100.0
Ayamazz Sdn Bhd	Malaysia	Push-cart selling food and refreshment	**100.0**	100.0
Kentucky Fried Chicken (Malaysia) Sendirian Berhad	Malaysia	Restaurants	**100.0**	100.0
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

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2010 %	2009 %
Held through subsidiaries (continued):				
Rasamas Holdings Sdn Bhd	Malaysia	Restaurants	**100.0**	100.0
Rasamas Bangi Sdn Bhd	Malaysia	Restaurant	**100.0**	100.0
SPM Restaurants Sdn Bhd	Malaysia	Meals on wheels Property holding	**100.0**	100.0
Usahawan Bistari Ayamas Sdn Bhd	Malaysia	Operation of "Sudut Ayamas"	**100.0**	100.0
Ayamas Farms & Hatchery Sdn Bhd	Malaysia	Broiler farm	**90.0**	90.0
KFC (Sabah) Sdn Bhd	Malaysia	Restaurants	**90.0**	90.0
Rasamas BC Sdn Bhd	Malaysia	Restaurant	**90.0**	100.0
Rasamas Bukit Tinggi Sdn Bhd	Malaysia	Restaurant	**90.0**	100.0
Rasamas Butterworth Sdn Bhd	Malaysia	Restaurant	**90.0**	90.0
Rasamas Kota Bharu Sdn Bhd	Malaysia	Restaurant	**90.0**	100.0
Rasamas Melaka Sdn Bhd	Malaysia	Restaurant	**90.0**	100.0
Rasamas Nilai Sdn Bhd	Malaysia	Restaurant	**90.0**	100.0
Rasamas Subang Sdn Bhd	Malaysia	Restaurant	**90.0**	90.0
Rasamas Wangsa Maju Sdn Bhd	Malaysia	Restaurant	**90.0**	90.0
Rasamas Tebrau Sdn Bhd	Malaysia	Restaurant	**89.2**	89.2
Rasamas Terminal Larkin Sdn Bhd	Malaysia	Restaurant	**89.2**	100.0
Rasamas Taman Universiti Sdn Bhd	Malaysia	Restaurant	**89.1**	89.1
Ayamas Feedmill Sdn Bhd	Malaysia	Broiler farm	**85.0**	85.0
Semangat Juara Sdn Bhd	Malaysia	Broiler farm	**75.0**	75.0
Kentucky Fried Chicken Management Pte Ltd*	Singapore	Restaurants	**100.0**	100.0
Kernel Foods Pvt Ltd*	India	Restaurants	**100.0**	—
Mauritius Food Corporation Pvt Ltd*	Mauritius	Investment holding	**100.0**	100.0
Mumbai Chicken Pvt Ltd*	India	Restaurants	**100.0**	100.0
Pune Chicken Restaurants Pvt Ltd*	India	Restaurants	**100.0**	100.0
WQSR Holdings (S) Pte Ltd*	Singapore	Investment holding	**100.0**	100.0

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2010 %	2009 %
Held through subsidiaries (continued):				
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 Batu Caves Sdn Bhd	Malaysia	Dormant	**100.0**	100.0
Rasamas Endah Parade Sdn Bhd	Malaysia	Dormant	**100.0**	100.0
Rasamas Larkin Sdn Bhd	Malaysia	Dormant	**100.0**	88.8
Rasamas Mergong Sdn Bhd	Malaysia	Dormant	**100.0**	100.0
Restoran Sabang Sdn Bhd	Malaysia	Dormant	**100.0**	100.0
Seattle's Best Coffee Sdn Bhd	Malaysia	Dormant	**100.0**	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
Ayamas Shoppe (S) Pte Ltd*	Singapore	Dormant	**100.0**	—
Helix Investments Limited	Hong Kong	Dormant	**100.0**	100.0
Ayamas Shoppe (Brunei) Sdn Bhd*	Brunei Darussalam	Dormant	**45.9**	—

* Audited by other member firms of KPMG International

7. OTHER INVESTMENTS

Group	Total RM'000	Shares Unquoted in Malaysia RM'000	Shares Quoted in Malaysia RM'000
2010			
Non-current			
Available-for-sale financial assets	**22,400**	—	**22,400**
Held-to-maturity investments	**4,500**	**4,500**	—
Less: Impairment loss	**(4,500)**	**(4,500)**	—
	—	—	—
	22,400	—	**22,400**
Representing item:			
At fair value	**22,400**	—	**22,400**
Market value of quoted investments	**22,400**	—	**22,400**
2009			
Non-current			
At cost	4,500	4,500	—
Less: Impairment loss	(4,500)	(4,500)	—
	—	—	—
Representing item:			
At cost/amortised cost	—	—	—
Company			
2010			
Non-current			
Available-for-sale financial assets	**22,400**	—	**22,400**
Representing item:			
At fair value	**22,400**	—	**22,400**
Market value of quoted investments	**22,400**	—	**22,400**

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption given in paragraph 44AA of FRS 7.

NOTES TO THE FINANCIAL STATEMENTS

8. INVENTORIES

	Group 2010 RM'000	Group 2009 RM'000
At cost:		
Raw materials	**39,205**	37,264
Groceries, poultry and consumables	**66,290**	54,690
Equipment and spare parts	**21,439**	17,097
Advertising materials	**2,514**	3,307
Livestock	**13,458**	10,803
Finished goods	**57,891**	49,178
	200,797	172,339

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Trade					
Trade receivables		**46,450**	50,264	**—**	—
Non-trade					
Amount due from subsidiaries	9.1	**—**	—	**163,661**	238,803
Amount due from related companies	9.1	**6,578**	14,979	**—**	—
Other receivables	9.2	**16,420**	11,062	**1,284**	1,685
Deposits	9.3	**74,534**	62,576	**5,288**	5,938
Current tax assets		**9,651**	12,988	**129**	1,544
		107,183	101,605	**170,362**	247,970
		153,633	151,869	**170,362**	247,970

9.1 Amounts due from subsidiaries and related companies

The non-trade receivables due from subsidiaries and related companies are unsecured, interest bearing at 3.79% (2009 – 2.22%) and are repayable on demand.

9.2 Other receivables

Included in the other receivables of the Group are lease considerations paid to related companies amounting to RM2,029,000 (2009 – RM875,000) which comprised of the lease of a vacant land at Terminal Larkin Sentral, Johor Bahru for a term of 15 years expiring on 16 March 2023 (2010 – RM851,000; 2009 – RM875,000) and the lease of a portion of a single-storey building erected in Tg. Leman, Johor for a period of 30 years (2010 – RM1,178,000; 2009 – Nil), respectively. Both the leased properties are now housed with KFC restaurants.

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

9.3 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 (2009 – 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 (2009 – RM2,269,000) for the purchase of a freehold land at Parcel 9, Mukim of Tebrau, District of Johor Bahru;

ii) Deposits paid to the ultimate holding corporation amounting to RM9,360,000 (2009 – RM9,360,000) for the purchase of a 99 years leasehold land at Mukim Bukit Batu, District of Kulaijaya, Johor; and

iii) Deposits paid to a related company amounting to RM4,789,000 (2009 – Nil) for the purchase of a long leasehold land and building at Pasir Gudang, Johor and a freehold land at Bandar Dato' Onn, Johor Bahru.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Deposits placed with licensed banks	**52,893**	83,083	**125**	—
Cash and bank balances	**78,819**	40,366	**3,850**	365
	131,712	123,449	**3,975**	365

11. SHARE CAPITAL AND RESERVES

11.1 Share capital

	Group and Company			
Ordinary shares of RM0.50 (2009-RM1.00) each	**Amount 2010 RM'000**	**Number of shares 2010 '000**	**Amount 2009 RM'000**	**Number of shares 2009 '000**
Authorised	**1,000,000**	**2,000,000**	1,000,000	1,000,000
Issued and fully paid				
At 1 January	**198,275**	**198,275**	198,275	198,275
Issued during the year:				
– share split	**—**	**198,275**	—	—
– bonus issue	**198,274**	**396,549**	—	—
– conversion of warrants	**66**	**132**	—	—
At 31 December	**396,615**	**793,231**	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.

NOTES TO THE FINANCIAL STATEMENTS

11. SHARE CAPITAL AND RESERVES (CONTINUED)

11.2 Reserves

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-distributable				
Share premium	**363**	18,736	**348**	18,721
Warrants reserve	**4,107**	—	**4,107**	—
Fair value reserve	**1,521**	—	**1,521**	—
Translation reserve	**1,125**	2,072	**—**	—
Revaluation reserve	**104,290**	25,169	**5,333**	3,352
	111,406	45,977	**11,309**	22,073
Distributable				
Retained earnings	**482,226**	547,505	**177,099**	357,216
	593,632	593,482	**188,408**	379,289

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) Warrants 2010/2015
A total of 31,723,949 new free warrants were issued by the Company in conjunction with the issuance of bonus shares on 15 September 2010 on the basis of 1 free warrant for every 25 existing ordinary shares of RM0.50 each held after share split and bonus issue. Each warrant entitles the holder the right to subscribe for a new ordinary share of RM0.50 each in the Company at an exercise price of RM3.00 per new ordinary share. As at the year end, the number of outstanding warrants was 31,591,693 (2009: Nil). The warrants will expire on 14 September 2015.

(c) Fair value reserve
The fair value reserve relates to the fair valuation of financial assets categorised as available-for-sale until the investments are derecognised or impaired.

(d) Translation reserve
The translation 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.

(e) Revaluation reserve
The revaluation reserve relates to the revaluation of the Group's land and buildings.

11. SHARE CAPITAL AND RESERVES (CONTINUED)

11.2 Reserves (continued)

(f) 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 all of its distributable reserves at 31 December 2010 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 2010 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.

12. LOANS AND BORROWINGS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current				
Term loans – secured	**20,557**	20,586	**20,000**	20,000
– unsecured	**15,463**	7,275	—	—
Bankers' acceptance – unsecured	**5,682**	4,188	—	—
Revolving credit – unsecured	**5,000**	—	—	—
	46,702	32,049	**20,000**	20,000
Non-current				
Term loans – secured	**1,610**	21,199	—	20,000
– unsecured	**104,235**	63,188	—	—
	105,845	84,387	—	20,000
	152,547	116,436	**20,000**	40,000

12.1 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
2010						
Term loans						
– secured	2011	**20,154**	**20,154**	—	—	—
– secured	2013	**1,046**	**369**	**369**	**308**	—
– secured	2022	**212**	**13**	**14**	**48**	**137**
– secured	2031	**755**	**21**	**23**	**75**	**636**
– unsecured	2013	**23,187**	**9,275**	**9,275**	**4,637**	—
– unsecured	2014	**45,000**	—	—	**45,000**	—
– unsecured	2015	**51,511**	**6,188**	**10,872**	**34,451**	—
Bankers' acceptance						
– unsecured	2011	**5,682**	**5,682**	—	—	—
Revolving credit						
– unsecured	2011	**5,000**	**5,000**	—	—	—
		152,547	**46,702**	**20,553**	**84,519**	**773**

NOTES TO THE FINANCIAL STATEMENTS

12. LOANS AND BORROWINGS (CONTINUED)

12.1 Terms and debt repayment schedule (continued)

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
2009						
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	—	—	—
		116,436	32,049	27,797	11,590	45,000
Company						
2010						
Term loans						
– secured	2011	**20,000**	**20,000**	**—**	**—**	**—**
2009						
Term loans						
– secured	2011	40,000	20,000	20,000	—	—

12.2 Security

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

(a) First and third party charges over certain land and buildings (Note 3);

(b) Corporate guarantee of a related company; and

(c) Debenture on a subsidiary's assets.

13. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Deferred tax liabilities						
Property, plant and equipment	**—**	—	**41,300**	30,200	**41,300**	30,200
Revaluation of land and buildings	**—**	—	**16,655**	6,147	**16,655**	6,147
Employee benefit plans	**(889)**	(890)	**—**	—	**(889)**	(890)
Allowance for doubtful debts	**(292)**	(210)	**—**	—	**(292)**	(210)
Tax losses and capital allowances carry-forward	**(4,979)**	(2,307)	**—**	—	**(4,979)**	(2,307)
Tax (assets)/liabilities	**(6,160)**	(3,407)	**57,955**	36,347	**51,795**	32,940
Company						
Property, plant and equipment	**—**	—	**640**	394	**640**	394
Revaluation of land and buildings	**—**	—	**139**	63	**139**	63
Tax liabilities	**—**	—	**779**	457	**779**	457

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 RM4,365,000 (2009 – RM1,136,000) and RM15,554,000 (2009 – RM8,093,000) respectively will not be available to the Group, resulting in an increase in net deferred tax liabilities of RM4,979,000 (2009 – RM2,307,000).

Unrecognised deferred tax assets

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

	Group	
	2010 RM'000	**2009 RM'000**
Tax losses carry-forward	**16,130**	16,007
Unutilised capital allowances carry-forward	**20,911**	14,213
Unutilised reinvestment allowances	**15,127**	12,685
Property, plant and equipment	**—**	1,535
Provisions	**15**	1,625
	52,183	46,065
At 25%	**13,046**	11,516

NOTES TO THE FINANCIAL STATEMENTS

13. DEFERRED TAX LIABILITIES (CONTINUED)

Unrecognised deferred tax assets (continued)

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 RM16,130,000 (2009 – RM16,007,000) and RM20,911,000 (2009 – RM14,213,000), 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 therefrom.

Movement in temporary differences during the year

Group	At 1.1.2009 RM'000	Recognised in income statement (Note 20) RM'000	Recognised in equity (Note 20) RM'000	At 31.12.2009 RM'000	Acquisition of subsidiaries RM'000	Recognised in income statement (Note 20) RM'000	Recognised in equity (Note 20) RM'000	At 31.12.2010 RM'000
Property, plant and equipment	27,234	2,966	—	30,200	**31**	**11,069**	**—**	**41,300**
Revaluation of land and buildings	7,910	(796)	(967)	6,147	**—**	**—**	**10,508**	**16,655**
Employee benefit plans	(984)	94	—	(890)	**—**	**1**	**—**	**(889)**
Allowance for doubtful debts	—	(210)	—	(210)	**—**	**(82)**	**—**	**(292)**
Tax losses and capital allowances carry-forward	(2,558)	251	—	(2,307)	**—**	**(2,672)**	**—**	**(4,979)**
	31,602	2,305	(967)	32,940	**31**	**8,316**	**10,508**	**51,795**
Company								
Property, plant and equipment	39	355	—	394	**—**	**246**	**—**	**640**
Revaluation of land and buildings	68	—	(5)	63	**—**	**—**	**76**	**139**
	107	355	(5)	457	**—**	**246**	**76**	**779**

14. EMPLOYEE BENEFITS

Retirement benefits

	Group 2010 RM'000	Group 2009 RM'000
Present value of unfunded obligations		
– current	**644**	401
– non-current	**2,913**	3,099
	3,557	3,500

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.

Movement in the present value of the defined benefit obligations

	Group 2010 RM'000	Group 2009 RM'000
Defined benefit obligations at 1 January	**3,500**	3,936
Current service costs and interest (see below)	**270**	208
Benefits paid by the plan	**(213)**	(644)
Defined benefit obligations at 31 December	**3,557**	3,500

	Group 2010 RM'000	Group 2009 RM'000
Expense recognised in the income statements		
Current service costs	**138**	147
Interest on obligation	**164**	199
Over provision in prior years	**(32)**	(138)
	270	208

The expense is recognised in administrative expenses.

Actuarial assumptions

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

	Group 2010	Group 2009
Discount rate at 31 December	**5.6%**	5.6%
Future salary increases	**4.0%**	4.0%

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade				
Trade payables	**154,958**	145,274	**—**	—
Non-trade				
Other payables	**75,097**	64,997	**1,608**	858
Accrued expenses	**110,452**	94,656	**8,505**	7,353
Duties and other taxes payables	**16,657**	16,260	**—**	—
	202,206	175,913	**10,113**	8,211
	357,164	321,187	**10,113**	8,211

16. REVENUE

Sales of goods	**2,521,959**	2,297,431	**—**	—
Gross dividends				
– subsidiaries	**—**	—	**50,938**	77,365
– others	**399**	—	**399**	—
	2,522,358	2,297,431	**51,337**	77,365

17. FINANCE COSTS

Interest expense of financial liabilities that are not at fair value through profit or loss:				
– loans, bankers' acceptances and others	**4,225**	5,174	**994**	1,805
– related company	**139**	265	**—**	—
	4,364	5,439	**994**	1,805

18. PROFIT BEFORE TAX

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Profit before tax is arrived at after charging:				
Amortisation of franchise fees	**6,736**	6,501	**—**	—
Auditors' remuneration:				
– Statutory audit				
– KPMG Malaysia	**352**	303	**50**	35
– KPMG Affiliates	**254**	196	**—**	—
– Underprovision in prior year	**—**	1	**—**	—
– Other services	**75**	6	**40**	6
Depreciation of property, plant and equipment	**86,590**	76,828	**1,536**	1,129
Impairment loss on:				
– goodwill in consolidation	**17**	—	**—**	—
– property, plant and equipment	**10,913**	2,543	**—**	—
– trade receivables	**—**	264	**—**	—
Loss on disposal of property, plant and equipment	**3,920**	2,137	**—**	—
Rental of land and buildings	**145,533**	131,644	**3,129**	3,085
Staff costs (including key management personnel)				
– Contributions to Employees' Provident Fund	**34,066**	30,069	**1,833**	1,624
– Other employee benefits	**129,262**	111,916	**4,778**	4,935
– Retirement benefits	**270**	208	**—**	—
– Fees	**556**	414	**475**	333
– Salaries and wages	**250,902**	225,295	**11,296**	10,349
and after crediting:				
Franchise fees income	**282**	284	**—**	—
Gain on disposal of property, plant and equipment	**—**	—	**118**	149
Gain on disposal of other investment	**—**	247	**—**	—
Interest receivable				
– deposits with licensed banks	**401**	406	**—**	40
– subsidiaries	**—**	—	**5,997**	3,670
– others	**1**	5	**—**	—
Rental income				
– related company	**814**	811	**—**	—
– others	**1,201**	1,581	**783**	1,026
Reversal on impairment loss of property, plant and equipment	**17,651**	—	**—**	—

NOTES TO THE FINANCIAL STATEMENTS

19. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors:				
Fees	**556**	414	**475**	333
Remuneration	**1,088**	1,203	**1,078**	1,198
Benefits-in-kind	**220**	295	**220**	295
Total Directors' remuneration	**1,864**	1,912	**1,773**	1,826
Other key management personnel:				
Short-term employee benefits	**2,988**	2,825	**2,057**	2,049
Total short-term employee benefits	**4,852**	4,737	**3,830**	3,875

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.

20. INCOME TAX EXPENSE

Recognised in the income statements

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Major components of income tax expense include:				
Current income tax expense				
Malaysian – current year	**59,680**	51,919	**11,015**	4,700
– prior year	**(7,594)**	(495)	**(872)**	(386)
Overseas – current year	**1,729**	3,445	**—**	—
– prior year	**—**	44	**—**	—
Total current income tax	**53,815**	54,913	**10,143**	4,314
Deferred tax expense				
Origination of temporary differences	**6,456**	8,705	**246**	164
(Over)/Underprovided in prior years	**1,860**	(6,400)	**—**	191
Total deferred tax	**8,316**	2,305	**246**	355
Total income tax expense	**62,131**	57,218	**10,389**	4,669

20. INCOME TAX EXPENSE (CONTINUED)

Recognised in the income statements (continued)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before tax	**221,833**	190,015	**52,418**	77,885
Tax at Malaysian tax rate of 25% (2009: 25%)	**55,458**	47,504	**13,105**	19,471
Effect of tax rates in foreign jurisdictions*	**(2,439)**	(1,639)	**—**	—
Income not subject to tax	**(2,860)**	(119)	**(4,480)**	(15,536)
Non-deductible expenses	**16,279**	14,853	**2,636**	929
Utilisation of previously unrecognised tax losses, unabsorbed capital allowances and unutilised reinvestment allowances	**(103)**	(701)	**—**	—
Change in unrecognised temporary differences	**1,530**	4,171	**—**	—
	67,865	64,069	**11,261**	4,864
Overprovided in prior years	**(5,734)**	(6,851)	**(872)**	(195)
Total income tax expense	**62,131**	57,218	**10,389**	4,669

* Tax rates in several foreign jurisdictions decreased in 2010.

Tax recognised directly in equity

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revaluation of property, plant and equipment	**10,508**	(967)	**76**	(5)

21. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2010 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2010	2009
Profit for the year attributable to shareholders (RM'000)	**156,848**	130,403
Weighted average number of ordinary shares in issue ('000)	**793,132**	793,099
Basic earnings per share (sen)	**19.8**	16.4

NOTES TO THE FINANCIAL STATEMENTS

21. EARNINGS PER ORDINARY SHARE (CONTINUED)

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2010 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2010	**2009**
Profit for the year attributable to shareholders (RM'000)	**156,848**	—
Weighted average number of ordinary shares in issue ('000)	**793,132**	—
Effect of conversion of warrants ('000)	**5,337**	
Weighted average number of ordinary shares (diluted) ('000)	**798,469**	—
Diluted earnings per ordinary share (sen)	**19.6**	—

22. DIVIDENDS

Dividends recognised in the current year by the Company are:

2010	**Sen per share (net of tax)**	**Total amount RM'000**	**Date of payment**
Interim 2010 ordinary	**7.5**	**14,871**	30 September 2010
Final 2009 ordinary	**12.0**	**23,793**	27 May 2010
Total amount		**38,664**	
2009			
Interim 2009 ordinary	6.0	11,896	30 September 2009
Final 2008 ordinary	10.5	20,819	28 May 2009
Total amount		32,715	

On 21 February 2011, the Directors declared a second interim dividend of 5.5 sen per ordinary share less tax at 25% totalling approximately RM32,721,000 (4.1 sen net per ordinary share) in respect of the year ended 31 December 2010, payable on 31 March 2011. This dividend will be recognised in subsequent financial reports. The Directors do not propose any final dividend for the year ended 31 December 2010.

23. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Top Management Committee ("TMC") reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Restaurants – KFC restaurants operation
- Integrated Poultry – Breeder and broiler farms, hatchery, feedmill, poultry processing and further processing, convenient food store chain and Rasamas restaurants
- Ancillary – All other activities other than the above reportable segments

Performance is measured based on segment profit before tax and interest as included in the internal management reports that are reviewed by the Group's TMC. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's TMC.

Segment liabilities

The total of segment liability is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group's TMC.

Segment capital expenditure

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

NOTES TO THE FINANCIAL STATEMENTS

23. OPERATING SEGMENTS (CONTINUED)

	Restaurants		Integrated Poultry		Ancillary		Eliminations		Consolidated	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Business segments										
Total external revenue	**1,888,072**	1,723,677	**533,397**	484,132	**100,889**	89,622	**—**	—	**2,522,358**	2,297,431
Inter-segment revenue	**—**	—	**287,882**	265,764	**261,425**	252,984	**(549,307)**	(518,748)		—
Total segment revenue	**1,888,072**	1,723,677	**821,279**	749,896	**362,314**	342,606	**(549,307)**	(518,748)	**2,522,358**	2,297,431
Segment results	**208,882**	191,191	**10,383**	4,243	**6,932**	20			**226,197**	195,454
Unallocated expenses									**—**	—
Results from operating activities									**226,197**	195,454
Finance costs									**(4,364)**	(5,439)
Income tax expense									**(62,131)**	(57,218)
Profit for the year									**159,702**	132,797
Segment assets	**772,754**	625,184	**455,415**	417,746	**354,863**	247,540	**—**	—	**1,583,032**	1,290,470
Total assets									**1,583,032**	1,290,470
Segment liabilities	**234,151**	187,060	**183,109**	142,636	**108,705**	123,586	**—**	—	**525,965**	453,282
Unallocated liabilities									**51,795**	32,940
Total liabilities									**577,760**	486,222
Capital expenditure and franchise fees	**163,014**	115,097	**47,382**	54,377	**14,728**	8,190	**—**	—	**225,124**	177,664
Depreciation/ Amortisation	**62,701**	56,913	**23,108**	19,694	**7,517**	6,722	**—**	—	**93,326**	83,329
Impairment loss	**4,110**	—	**6,671**	2,593	**149**	214	**—**	—	**10,930**	2,807

23. OPERATING SEGMENTS (CONTINUED)

	Malaysia		Foreign		Consolidated	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Geographical segments						
Revenue from external customers	**2,130,653**	1,938,624	**391,705**	358,807	**2,522,358**	2,297,431
Non-current assets	**967,207**	736,604	**79,664**	62,810	**1,046,871**	799,414
Segment assets	**1,411,788**	1,159,554	**171,244**	130,916	**1,583,032**	1,290,470
Capital expenditure and franchise fees	**190,123**	156,201	**35,001**	21,463	**225,124**	177,664

24. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

24.1 Categories of financial instruments

The table below provides an analysis of the various categories of financial instruments:

(a) Loans and receivables (L&R);

(b) Available-for-sale financial assets (AFS); and

(c) Other financial liabilities measured at amortised cost (OL).

	Carrying amount RM'000	L&R RM'000	AFS RM'000
2010			
Financial assets			
Group			
Other investments	**22,400**	—	**22,400**
Trade and other receivables	**137,226**	**137,226**	—
Cash and cash equivalents	**131,712**	**131,712**	—
	291,338	**268,938**	**22,400**
Company			
Other investments	**22,400**	—	**22,400**
Trade and other receivables	**170,233**	**170,233**	—
Cash and cash equivalents	**3,975**	**3,975**	—
	196,608	**174,208**	**22,400**

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.1 Categories of financial instruments (continued)

	Carrying amount RM'000	OL RM'000
2010		
Financial liabilities		
Group		
Loans and borrowings	152,547	152,547
Trade and other payables	357,164	357,164
	509,711	509,711
Company		
Loans and borrowings	20,000	20,000
Trade and other payables	10,113	10,113
	30,113	30,113

24.2 Net gains and losses arising from financial instruments

	2010	
	Group RM'000	Company RM'000
Net gains arising on:		
Available-for-sale financial assets		
– recognised in other comprehensive income	1,521	1,521

24.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Receivables

Risk management objectives, policies and processes for managing the risk

The Group trades only with recognised and trustworthy 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 debt 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.

Exposure to credit risk, credit quality and collateral

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.

The ageing of receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2010			
Not past due	**24,208**	**—**	**24,208**
Past due 0 – 30 days	**1,005**	**—**	**1,005**
Past due 31 – 120 days	**20,477**	**—**	**20,477**
Past due more than 120 days	**2,112**	**(1,352)**	**760**
	47,802	**(1,352)**	**46,450**
2009			
Not past due	24,603	—	24,603
Past due 0 – 30 days	214	—	214
Past due 31 – 120 days	23,803	—	23,803
Past due more than 120 days	3,283	(1,639)	1,644
	51,903	(1,639)	50,264

The movements in the allowance for impairment losses of receivables during the financial year were:

	Group 2010 RM'000
At 1 January, as previously stated	1,639
Effect of adoption of FRS 139	—
At 1 January, restated	1,639
Impairment loss reversed	(32)
Impairment loss written off	(255)
At 31 December	1,352

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM141,958,000 (2009: RM96,367,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable.

24.5 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.

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
2010							
Secured bank loans	**22,167**	**4.10**	**22,988**	**20,769**	**502**	**606**	**1,111**
Unsecured bank facilities	**130,380**	**3.52**	**143,573**	**30,829**	**24,147**	**88,597**	**—**
Trade and other payables	**357,164**	**—**	**357,164**	**357,164**	**—**	**—**	**—**
	509,711		**523,725**	**408,762**	**24,649**	**89,203**	**1,111**

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices which will affect the Group's financial position or cash flows.

24.6.1 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 (SGD), Indian Rupees (Rs), Brunei Dollars (B$) and US Dollars (USD).

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.

Risk management objectives, policies and processes for managing the risk

The Group does not enter into any hedging activities. Hence, is not exposed to any hedging risk.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in			
Group	SGD RM'000	Rs RM'000	B$ RM'000	USD RM'000
2010				
Trade receivables	**1,064**	**16**	**11**	**—**
Secured bank loans	**—**	**—**	**—**	**(18,511)**
Trade payables	**(35,987)**	**(1,622)**	**(935)**	**—**
Exposure in the statement of financial position	**(34,923)**	**(1,606)**	**(924)**	**(18,511)**
2009				
Trade receivables	1,464	—	—	—
Trade payables	(26,925)	—	(837)	—
Exposure in the statement of financial position	(25,461)	—	(837)	—

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Currency risk sensitivity analysis

The exposure to currency risk of Group entities which functional currency is other than RM is not material and hence, sensitivity analysis is not presented.

24.6.2 Interest rate risk

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.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed rate instruments				
Financial assets	**52,893**	83,083	**125**	—
Financial liabilities	**(10,682)**	(4,188)	**—**	—
	42,211	78,895	**125**	—
Floating rate instruments				
Financial liabilities	**(141,865)**	(112,248)	**(20,000)**	(40,000)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points (bp) for the Group and 70 bp for the Company in interest rates at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss	
Group	**50 bp increase RM'000**	**50 bp decrease RM'000**
2010		
Floating rate instruments	**709**	**(709)**

	Profit or loss	
Company	**70 bp increase RM'000**	**70 bp decrease RM'000**
2010		
Floating rate instruments	**140**	**(140)**

24.6.3 Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

24.7 Fair value of financial instruments

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

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.7 Fair value of financial instruments (continued)

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	2010 Carrying amount RM'000	2010 Fair value RM'000	2009 Carrying amount RM'000	2009 Fair value RM'000
Quoted shares	**22,400**	**22,400**	—	—
Term loans	**(141,865)**	**(141,865)**	(112,248)	(112,248)
Company				
Quoted shares	**22,400**	**22,400**	—	—
Loans to subsidiaries	**163,661**	**163,661**	238,803	238,803
Term loans	**(20,000)**	**(20,000)**	(40,000)	(40,000)

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Investments in equity and debt securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2010	2009
Loans and borrowings	**2.55% – 5.15%**	2.73% – 3.75%

25. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

25. CAPITAL MANAGEMENT (CONTINUED)

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the debt-to-equity ratio at the lower end range within 0.5:1 to 1.0:1. The debt-to-equity ratios at 31 December 2010 and at 31 December 2009 were as follows:

	Group	
	2010	**2009**
	RM'000	**RM'000**
Total borrowings (note 12)	**152,547**	116,436
Less: Cash and cash equivalents (note 10)	**(131,712)**	(123,449)
Net debt/(cash)	**20,835**	(7,013)
Total equity attributable to owners of the Company	**990,247**	791,757
Debt-to-equity ratios	**0.02**	(0.01)

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is also required to maintain a maximum debt-to-equity ratio of 2.0 to comply with a bank covenant, failing which, the bank may call an event of default. The Group has complied with this covenant.

26. OPERATING LEASES

Leases as lessee

Non-cancellable operating leases rentals are payable as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Less than one year	**97,729**	84,853	**2,884**	3,120
Between one and five years	**120,156**	113,757	**8,654**	12,478
More than five years	**632**	—	**—**	—
	218,517	198,610	**11,538**	15,598

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.

NOTES TO THE FINANCIAL STATEMENTS

27. CAPITAL COMMITMENTS

	Group 2010 RM'000	Group 2009 RM'000
Property, plant and equipment		
Authorised but not contracted for	**284,315**	214,130
Contracted but not provided for	**17,627**	29,492
	301,942	243,622

28. CONTINGENT LIABILITIES

	Company 2010 RM'000	Company 2009 RM'000
Unsecured		
Corporate guarantees in favour of various financial institutions in respect of credit facilities extended to and performance by certain subsidiaries	**141,958**	96,367

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 (disclosed in Note 19), are as follows:

Group	Transaction value for year ended 31 December 2010 RM'000	Transaction value for year ended 31 December 2009 RM'000
Ultimate holding corporation		
Sale of goods	—	1
Rendering of services	**116**	318
Holding companies		
Sale of goods	**3**	1

29. RELATED PARTIES (CONTINUED)

Group	Transaction value for year ended 31 December 2010 RM'000	2009 RM'000
Related companies		
Gross dividends	**399**	—
Sale of goods	**96,836**	81,976
Purchase of goods	**14,725**	7,505
Purchase of apparels	**—**	7
Purchase of balloons	**8**	6
Purchase of printing, publication materials	**69**	80
Purchase of souvenir and gifts	**9**	12
Purchase of cleaning equipment	**—**	23
Rendering of services	**7,597**	5,720
Interest payable	**139**	265
Allocation of expenses	**5,831**	5,627
Management fees income	**4,061**	3,580
Equipment rental payable	**224**	—
Forwarding services payable	**66**	58
Khairat fees payable	**—**	12
Rental income	**1,235**	1,092
Rental payable	**340**	342
Commission income	**767**	443
Purchase of property, plant and equipment	**202**	40
Sale of property, plant and equipment	**—**	124
Sale of used cooking oil	**951**	—
Related parties		
Rendering of services	**165**	313
Company		
Ultimate holding corporation		
Rendering of services	**64**	233
Subsidiaries		
Gross dividends	**50,938**	77,365
Management fees income	**29,670**	27,060
Interest receivable	**5,996**	3,669
Related companies		
Gross dividends	**399**	—
Management fees income	**4,061**	3,580
Purchase of apparels	**—**	6
Rendering of services	**2,250**	3,044
Rental income	**210**	210
Purchase of souvenir and gifts	**4**	—
Related parties		
Rendering of services	**26**	26

There are no material outstanding balances as at balance sheet date other than that disclosed in Note 9.

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.

NOTES TO THE FINANCIAL STATEMENTS

30. ACQUISITIONS OF SUBSIDIARIES

(i) 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.

(ii) On 16 July 2010, the Company announced that it has jointly with QSR Brands Bhd ("QSR") established a non-governmental and non-profitable company, i.e. Yayasan Amal Bistari for the primary purposes of regulating and driving all Corporate Responsibility endeavours and programmes to be undertaken by KFCH/QSR.

(iii) On 4 October 2010, the Company announced that it has acquired the entire issued and paid-up share capital of Cemerlang Sinergi Sdn Bhd and Efinite Revenue Sdn Bhd comprising 2 ordinary shares of RM1.00 each and at a total cash consideration of RM2.00, for each of the companies.

(iv) On 27 October 2010, the Company via its wholly-owned subsidiary, Ayamas Shoppe Sdn Bhd (formerly known as Kedai Ayamas Sdn Bhd), acquired the entire issued and paid-up share capital of Ayamas Shoppe (S) Pte Ltd comprising 2 ordinary shares of SGD1.00 each for a total cash consideration of SGD2.00.

(v) On 18 November 2010, the Company announced that it has via its subsidiary, KFC (B) Sdn Bhd, incorporated a subsidiary in Brunei, ie. Ayamas Shoppe (Brunei) Sendirian Berhad.

(vi) On 13 December 2010, the Company announced that it had via its subsidiary, Pune Chicken Restaurants Private Limited, entered into a Share Purchase Agreement for the acquisition of the entire equity interest in Kernel Foods Private Limited for a cash consideration of Rs.12,00,000/- (Rupees Twelve Lacs only) amounting to approximately RM83,565.

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	Recognised values on acquisition RM'000
Property, plant and equipment	4,005
Inventories	109
Trade and other receivables	549
Cash and cash equivalents (bank overdraft)	(385)
Loans and borrowings	(1,023)
Deferred tax liabilities	(31)
Trade and other payables	(597)
Current tax liabilities	(39)
Minority interests	(96)
Net identifiable assets and liabilities	2,492
Intangible assets arising from acquisition	6,636
Consideration paid, satisfied in cash	9,128
Cash and cash equivalents acquired (bank overdraft)	385
Net cash outflow	9,513

30. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

Pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The pre-acquisition carrying amount of identifiable assets and liabilities recognised on acquisition approximates the fair values of their carrying amounts.

31. SIGNIFICANT 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

(b) Mohd Faizal bin Awang Soh and Rasamas Kota Bharu Sdn Bhd

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

(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 acquired Rasamas BC Sdn Bhd. Rasamas BC 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. Rasamas Terminal Larkin Sdn Bhd is intended to house the operations of the Rasamas Terminal Larkin outlet.

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

(iv) On 9 July 2010, the Company announced the termination of the respective agreements entered into between Roaster's Chicken Sdn Bhd, a wholly-owned subsidiary of KFC Holdings (Malaysia) Bhd, and the following due to the resignation of the Rasamas Intrapreneur Parties (see definition below):

(a) Ahmad bin Ali and Rasamas Larkin Sdn Bhd; and

(b) Musa bin Putit and Rasamas Taman Universiti Sdn Bhd

(Encik Ahmad bin Ali and Encik Musa bin Putit are hereinafter referred to as the "Rasamas Intrapreneur Parties")

(v) On 2 December 2010, the Company announced that it had through Roaster's Chicken Sdn Bhd entered into several Subscription Agreements incorporating Shareholders' Agreements with the following parties:-

(a) Lim Siew Hong and Rasamas Melaka Sdn Bhd, and

(b) Mohd Ikmal Nizam bin Nordin and Rasamas Nilai Sdn Bhd

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

NOTES TO THE FINANCIAL STATEMENTS

32. SUBSEQUENT EVENTS

(i) On 1 November 2010, the Company announced that it has via its wholly-owned subsidiary, Ayamas Food Corporation Sdn Bhd, entered into Sale and Purchase of Shares Agreements for the acquisition of the entire issued and paid-up share capital of Southern Poultry Farming Sdn Bhd, Synergy Poultry Farming Sdn Bhd, Ventures Poultry Farm Sdn Bhd and Agrotech Farm Solutions Sdn Bhd for a total cash consideration of RM1,111,951.

The acquisition was completed on 14 January 2011.

(ii) On 11 March 2011, the Company announced that it has via its subsidiary, Ayamas Shoppe Sdn Bhd (formerly known as Kedai Ayamas Sdn Bhd), incorporated a company, ie. Ayamas Shoppe (Sabah) Sdn Bhd pursuant to the Joint Venture Agreement dated 27 October 2010 with Rastamas Trading Sdn Bhd for the purpose of operating Kedai Ayamas business in Sabah.

33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

33.1 FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Investments in equity securities

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries and associates were measured at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries and associates are now categorised and measured as fair value through profit or loss, or as available-for-sale as detailed in note 2(c).

Prior to the adoption of FRS 139, current investments were carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments. With the adoption of FRS 139, current investments are now categorised and measured as fair value through profit or loss as detailed in note 2(c).

Investments in debt securities

Prior to the adoption of FRS 139, investments in non-current debt securities were measured at amortised cost using the effective interest method less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, investments in non-current debt securities are now categorised and measured at fair value through profit or loss, available-for-sale or at amortised cost as detailed in note 2(c).

Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in profit or loss.

33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

33.1 FRS 139, *Financial Instruments: Recognition and Measurement* (continued)

Financial guarantee contracts

Prior to the adoption of FRS 139, financial guarantee contracts were not recognised in the statement of financial position unless it becomes probable that the guarantee may be called upon. With the adoption of FRS 139, financial guarantee contracts are now recognised initially at their fair values and subsequently measured at their initially measured amount less cumulative amortisation. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made.

Inter-company loans

Prior to the adoption of FRS 139, inter-company loans were recorded at cost. With the adoption of FRS 139, inter-company loans are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Finance income and costs are recognised in profit or loss using the effective interest method.

Staff loans

Prior to the adoption of FRS 139, staff loans were recorded at cost. With the adoption of FRS 139, staff loans are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Interest income is recognised in profit or loss using the effective interest method.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance to the transitional provisions of FRS 139 for first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial year were recognised as adjustments of the opening balance of retained earnings or another appropriate reserve. Comparatives are not adjusted.

Consequently, the adoption of FRS 139 does not affect the basic and diluted earnings per ordinary share for prior periods. It is not practicable to estimate the impact arising from the adoption of FRS 139 to the current year's basic and diluted earnings per share.

33.2 FRS 123, *Borrowing Costs* (revised)

Before 1 January 2010, borrowing costs were all expensed to profit or loss as and when they were incurred. With the adoption of FRS 123, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset as part of the cost of the asset for which the commencement date of capitalisation is on or after 1 January 2010.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of the revised FRS 123.

Hence, the adoption of the revised FRS 123 does not affect the basic and diluted earnings per ordinary share for prior periods and has no material impact to current year's basic and diluted earnings per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

33.3 FRS 140, *Investment Property*

Before 1 January 2010, an investment property under construction was classified as property, plant and equipment and measured at cost. Such property was measured at cost until construction or development was completed, at which time it would be remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement was recognised in profit or loss.

With the amendment made to FRS 140 with effect from 1 January 2010, investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

The change in accounting policy has been made prospectively in accordance with the transitional provisions of FRS 140.

Hence, the adoption of FRS 140 does not affect the basic and diluted earnings per ordinary share for prior periods and has no material impact to current year's basic and diluted earnings per ordinary share.

33.4 FRS 8, *Operating Segments*

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114_{2004}, Segment Reporting.

Comparative segment information has been re-presented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

33.5 FRS 101, *Presentation of Financial Statements* (revised)

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

33.6 FRS 117, *Leases*

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance is finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

34. COMPARATIVE FIGURES

34.1 FRS 101, *Presentation of Financial Statements* (revised)

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

34.2 FRS 117, *Leases*

Following the adoption of IC Interpretation 10 and adoption of the amendment to FRS 117, certain comparatives have been re-presented as follows:

	Group			
	31.12.2009		1.1.2009	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Cost				
Property, plant and equipment	773,241	705,329	678,900	615,059
Prepaid lease payments	—	67,912	—	63,841

NOTES TO THE FINANCIAL STATEMENTS

35. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	2010	
	Group RM'000	**Company RM'000**
Total retained earnings of the Company and its subsidiaries:		
– realised	**471,260**	177,739
– unrealised	**(35,140)**	(640)
	436,120	177,099
Add: Consolidation adjustments	**46,106**	—
Total retained earnings	**482,226**	177,099

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 118 to 186 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 35 to the financial statements has been compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Kamaruzzaman bin Abu Kassim
Chairman

Jamaludin bin Md Ali
Managing Director/Chief Executive Officer

Kuala Lumpur
Date: 15 March 2011

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Mohammad bin Alwi, the officer primarily responsible for the financial management of KFC Holdings (Malaysia) Bhd, do solemnly and sincerely declare that the financial statements set out on pages 118 to 186 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 15 March 2011.

Mohammad bin Alwi

Before me:
Ahmad bin Laya (W259)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KFC HOLDINGS (MALAYSIA) BHD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of KFC Holdings (Malaysia) Bhd, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 118 to 185.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 35 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Ahmad Nasri Bin Abdul Wahab
Approval Number: 2919/03/12(J)
Chartered Accountant

Petaling Jaya
Date: 15 March 2011

LIST OF PROPERTIES HELD
AS AT 31 DECEMBER 2010

Location	Date of Valuation	Age of building (years)	Tenure	Expiry Date	Area (sq ft)	Description	Net Book Value (RM'000)
AGRICULTURAL PROPERTIES							
SELANGOR							
Geran 24766 Lot 1462 Mukim Beranang Daerah Hulu Langat	15/12/2010	21	Freehold	—	63 acres	Land used for breeder farm	13,200
HS (D) 20746 PT153 Bandar Baru Salak Tinggi District of Sepang	15/12/2010	12	Leasehold	25/01/2105	32 acres	Land used for breeder farm	10,120
NEGERI SEMBILAN							
Geran 22067 Lot 3468 Mukim Linggi Daerah Port Dickson	15/12/2010	20	Freehold	—	55 acres	Land used for breeder farm	5,330
Geran 6348 PT 2149 Mukim Lenggeng Daerah Seremban	15/12/2010	20	Freehold	—	20 acres	Land used for breeder farm	3,000
Lot 559 Mukim Gemencheh Daerah Tampin	15/12/2010	14	Freehold	—	30,557	Land used for breeder farm	4,900
HS (D) 5977-5980 PT 924-927 Mukim Titian Bintangor Daerah Rembau	15/12/2010	—	Freehold	—	20 acres	Vacant land for future expansion	1,362
MELAKA							
Lots 1375-1397 1689 and 1706 Mukim Ayer Pa'abas Daerah Alor Gajah	15/12/2010	20	Freehold	—	151 acres	Land used for breeder farm	9,860
PM 1026 Lot 2294 Mukim Machap Daerah Alor Gajah	15/12/2010	15	Leasehold	27/05/2038	6 acres	Land used for contract broiler farming	210
JOHOR							
Mukim of Mersing District of Johor	15/12/2010	—	Freehold	—	855 acres	Vacant land and oil palm estate	44,000

Location	Date of Valuation	Age of building (years)	Tenure	Expiry Date	Area (sq ft)	Description	Net Book Value (RM'000)
COMMERCIAL PROPERTIES							
PERLIS							
9 Persiaran Putra Timur Satu 02000 Kuala Perlis	15/12/2010	16	Leasehold	25/09/2092	2,660	Double-storey intermediate shophouse for storage and accommodation	380
KEDAH							
Lot No. 269 Pekan Dindong 07000 Kuah Langkawi	15/12/2010	16	Freehold	—	3,260	3-storey intermediate shopoffice for warehouse, commissary and staff hostel	450
45 Arked Pokok Asam Langkawi Mall 07000 Kuah Langkawi	15/12/2010	15	Freehold	—	4,077	Double-storey corner shophouse for restaurant	660
46 & 47 Lengkok Cempaka 1 Persiaran Cempaka 08000 Amanjaya	15/12/2010	12	Freehold	—	7,220	3-storey corner and intermediate shopoffices for restaurant and hostel	485
PENANG							
34 Jalan Mahsuri 11950 Bandar Bayan Baru	15/12/2010	18	Leasehold	15/05/2090	7,176	Double-storey shophouse for restaurant	2,700
3A-G-18 Blok 3A Kompleks Bukit Jambul Jalan Rumbia 11900 Pulau Pinang	15/12/2010	14	Freehold	—	2,972	Ground floor of a shopping complex for restaurant	2,500
Unit No. G-103 Megamal Pinang 2828 Jalan Baru Bandar Perai Jaya 13600 Seberang Perai Tengah	15/12/2010	14	Leasehold	04/07/2094	3,342	Ground floor of a shopping complex for restaurant	1,730
Parcel No S-C1-05 Pusat Bandar Nibong Tebal 14300 Pulau Pinang	15/12/2010	7	Freehold	—	2,798	Double-storey intermediate shophouse for restaurant	250

LIST OF PROPERTIES HELD

Location	Date of Valuation	Age of building (years)	Tenure	Expiry Date	Area (sq ft)	Description	Net Book Value (RM'000)
1-5G, 1-6G & 1-9G Eden Parade Jalan Sungai Emas 11100 Batu Ferringhi	15/12/2010	10	Freehold	—	4,397	3 adjoining ground and mezzanine floors of a shopping complex for restaurant	1,550
GF-12A Queensbay Mall 100 Persiaran Bayan Indah 11900 Bayan Lepas Pulau Pinang	15/12/2010	5	Freehold	—	5,870	Ground floor of a shopping complex for restaurant	7,000
Geran No. 23532 Lot 599, Seksyen 5 Bandar Georgetown No. 10-A, Jln Masjid Negeri 11600 Daerah Timor Laut Pulau Pinang	15/12/2010	—	Freehold	—	30,453	Plot of Land with a colonial heritage bungalow	9,600
PERAK							
79 Jalan Dato' Lau Pak Khuan Ipoh Garden 31400 Ipoh	15/12/2010	40	Freehold	—	4,980	Double-storey intermediate shophouse for restaurant	600
65 Jalan Dato' Onn Jaafar 30300 Ipoh	15/12/2010	24	Freehold	—	19,375	6-storey commercial building for restaurant and staff hostel	1,800
158 Jalan Idris 31900 Kampar	15/12/2010	26	Freehold	—	7,542	3½-storey shopoffice for restaurant	600
PTD 217643 Jln Kuala Kangsar Daerah Hulu Kinta Klebang, Ipoh	15/12/2010	—	Freehold	—	43,591	Vacant land for restaurants	2,100
SELANGOR							
18A Ground Floor Jalan SS6/3 Kelana Jaya 47301 Petaling Jaya	15/12/2010	22	Freehold	—	1,490	Ground floor of a 5-storey shophouse for retail outlet	830
60 & 62 Jalan PJS 11/28A Bandar Sunway 46150 Petaling Jaya	15/12/2010	15	Leasehold	11/03/2095 & 28/12/2092	15,237	2 units of 4-storey shopoffice for restaurant, office and hostel	4,800

Location	Date of Valuation	Age of building (years)	Tenure	Expiry Date	Area (sq ft)	Description	Net Book Value (RM'000)
9 Jalan Taiping 41400 Klang	15/12/2010	30	Freehold	—	12,202	4½-storey corner shophouse for restaurant and staff hostel	2,000
18 & 20 Jalan Sulaiman 43000 Kajang	15/12/2010	29	Freehold	—	17,088	4-storey shophouse for restaurant	4,700
Lot PT 12209 Mukim Damansara Daerah Petaling	15/12/2010	—	Leasehold	01/11/2092	95,788	Vacant land for restaurant	8,000
2105 Jalan 3/1 Bandar Baru Sungai Buloh 47000 Sungai Buloh	15/12/2010	21	Leasehold	13/03/2087	2,423	Double-storey shophouse for restaurant	650
Lot C1-091 Kompleks Galaxy Ampang Jalan Dagang 5 Taman Dagang 68000 Ampang	15/12/2010	7	Leasehold	20/10/2084	4,108	Concourse level of shopping centre for restaurant	1,500
Lot PT 5665 Pekan Puchong Perdana Daerah Petaling	15/12/2010	—	Leasehold	28/05/2108	5,000	Vacant land for restaurant	4,000
B-03-01 to B-03-06 Blok B, Jalan Prima 5/5 Persiaran Prima Utama Taman Puchong Prima 47100 Puchong	15/12/2010	8	Freehold	—	5,968	4 storey shop office	4,181
W.P. KUALA LUMPUR							
Lot 14083 Jalan Kuchai Lama 58200 Kuala Lumpur	15/12/2010	5	Leasehold	08/02/2064	8,052	Single-storey building for restaurant	6,800
437 Jalan Ipoh 51200 Kuala Lumpur	15/12/2010	28	Freehold	—	13,294	5-storey corner lot commercial building for restaurant & staff training	4,000
140 Jalan Raja Laut 50350 Kuala Lumpur	15/12/2010	38	Freehold	—	6,437	4-storey intermediate shophouse for restaurant and staff hostel	2,500

LIST OF PROPERTIES HELD

Location	Date of Valuation	Age of building (years)	Tenure	Expiry Date	Area (sq ft)	Description	Net Book Value (RM'000)
Lot PT 16805 Jalan Prima 1, Metro Prima Off Jalan Kepong 52100 Kuala Lumpur	15/12/2010	10	Leasehold	28/04/2096	11,000	Double-storey building for restaurants	11,100
Lot PT 6878 Jalan 8/27A Wangsa Maju 53300 Kuala Lumpur	15/12/2010	8	Leasehold	19/04/2083	11,768	Single-storey building for restaurants	12,940
No. 23 & 24 Jalan 54 Desa Jaya Kepong 52100 Kepong	15/12/2010	28	Leasehold	08/03/2081	13,587	2 adjoining units of 4-storey shophouse for restaurant	3,680
NEGERI SEMBILAN							
26 Jalan Dato' Sheikh Ahmad 70000 Seremban	15/12/2010	26	Freehold	—	3,000	Double-storey corner shophouse for retail outlet and staff hostel	840
20 & 21 Jalan Dato' Sheikh Ahmad 70000 Seremban	15/12/2010	30	Freehold	—	7,812	2 adjoining units of 4-storey shophouse for restaurant and hostel	2,150
24 & 26 Jalan Bunga Raya 7 Pusat Perniagaan Senawang Taman Tasik Jaya 70400 Senawang	15/12/2010	16	Freehold	—	5,456	2 units of a double-storey shophouse for restaurant	510
1 Jalan Mahajaya Kawasan Penambakan Laut Bandar Port Dickson 71009 Negeri Sembilan	15/12/2010	14	Leasehold	31/01/2085	9,164	3-storey corner shophouse for restaurant and staff hostel	1,150
Lot Nos PT 8241 to 8249 & 8262 Mukim Rantau Daerah Seremban Negeri Sembilan	15/12/2010	—	Freehold	—	119,946	Vacant land (for shoplot and commercial complex)	3,400
PT 12172 Jalan BBN 1/1F Putra Point Bandar Baru Nilai 71800 Nilai	15/12/2010	14	Freehold	—	5,386	3-storey shophouse for restaurant	430

Location	Date of Valuation	Age of building (years)	Tenure	Expiry Date	Area (sq ft)	Description	Net Book Value (RM'000)
MELAKA							
9 Jalan PPM 9 Plaza Pandan Malim 75250 Melaka	15/12/2010	13	Leasehold	09/06/2095	5,818	4-storey intermediate shophouse for restaurant and staff hostel	635
555 Plaza Melaka Jalan Hang Tuah 75300 Melaka	15/12/2010	24	Freehold	—	9,990	4½-storey corner shophouse with mezzanine floor for restaurant	1,200
PM 222, Lot No. 4260 Mukim Bukit Katil Daerah Melaka Tengah	15/12/2010	—	Leasehold	14/09/2077	42,851	Vacant land for restaurants	3,170
JOHOR							
11 Jalan Sri Perkasa 2/1 Taman Tampoi Utama 81200 Johor Bahru	15/12/2010	14	Leasehold	13/04/2094	4,620	3-storey intermediate shophouse for restaurant and staff hostel	380
1 & 1-1 Jalan Niaga Pusat Perniagaan Jalan Mawai 81900 Kota Tinggi	15/12/2010	11	Leasehold	14/05/2085	2,926	Corner unit of double-storey shophouse for restaurant	910
HS(D) 367670 PTD 104984 Mukim Tebrau Daerah Johor Bahru	15/12/2010	—	Freehold	—	75,229	Vacant commercial land	4,100
Lot 590 & Lot 591 PTD 171459 Taman Perling Mukim Pulai 81200 Johor	15/12/2010	—	Freehold	—	45,000	Vacant land for KFC DT restaurant	3,960
No. 1 & 1A Jalan Resam 13 Taman Bukit Tiram	15/12/2010	1	Freehold	—	6,987	A three-storey corner shophouse	853
No. 3, 3A & 3B Jalan Resam 13 Taman Bukit Tiram	15/12/2010	1	Freehold	—	4,620	A three-storey intermediate shophouse	528

LIST OF PROPERTIES HELD

Location	Date of Valuation	Age of building (years)	Tenure	Expiry Date	Area (sq ft)	Description	Net Book Value (RM'000)
TERENGGANU							
10 Persiaran Melor Kijal Beach Resort 24100 Kijal	15/12/2010	16	Leasehold	25/11/2101	3,300	Double-storey intermediate shophouse for restaurant	415
PAHANG							
Retail 1 & 2 Ground Floor Bangunan Baru UMNO Pekan 26600 Pekan	15/12/2010	6	Leasehold	29/08/2106	2,878	2 contiguous parcels of ground floor retail lots within a 6-storey commercial complex	1,170
SABAH							
Lot 25 Block 3 Bornion Centre Jalan Kolam 88300 Kota Kinabalu	15/12/2010	26	Leasehold	15/05/2915	5,710	3-storey corner shophouse for restaurant and hostel	1,360
SINGAPORE							
18 Yung Ho Road Singapore 618591	15/12/2010	35	Leasehold	16/12/2036	2,912	Purpose Built single storey building for restaurant	5,379
INDUSTRIAL PROPERTIES							
PULAU PINANG							
2718 Jalan Seladang Alma 14000 Bukit Mertajam	15/12/2010	22	Freehold	—	47,376	Single-storey factory with double-storey office block for processing plant	3,800
29 & 31 Lorong IKS Juru 3, IKS Juru 14100 Simpang Ampat Seberang Perai Selatan	15/12/2010	14	Freehold	—	5,960	2 adjoining units of a 1½-storey semi-detached factories for commissary and warehouse	1,370

Location	Date of Valuation	Age of building (years)	Tenure	Expiry Date	Area (sq ft)	Description	Net Book Value (RM'000)
SELANGOR							
Lot 5 Jalan 51A/223 46675 Petaling Jaya	15/12/2010	23	Leasehold	18/11/2067	27,930	Single-storey detached factory with 4-storey office block	7,400
Lot 20153 Jalan Pelabuhan Utara 42000 Pelabuhan Klang	15/12/2010	24	Leasehold	17/12/2086	124,031	Land and factory buildings for primary processing and further processing plants	40,500
17, 19 & 21 Jalan Pemaju U1/15 Seksyen U1 HICOM-Glenmarie Industrial Park 40150 Shah Alam	15/12/2010	13	Freehold	—	169,200	Industrial complex	39,400
Lot 166 Jalan Pemaju U1/15 Seksyen U1 HICOM-Glenmarie Industrial Park 40150 Shah Alam	15/12/2010	—	Freehold	—	205,603	Vacant land for future expansion of industrial complex	21,600
1, 3 & 6 Lorong Gerudi 1 Off Jalan Pelabuhan Utara 42000 Pelabuhan Klang	15/12/2010	16	Leasehold	15/03/2087	312,594	Single & double-storey warehouse buildings and 4-storey office building	73,500
KEDAH							
Mukim of Sungai Petani/ Sungai Pasir District of Kedah	15/12/2010	—	Freehold	—	45,900 square metres	Vacant industrial/ residential land, residential and commercial properties	13,816
JOHOR							
PLO 398 Kilang Siapbina PKENJ Jalan Perak Kawasan Perindustrian Pasir Gudang 81770 Pasir Gudang	15/12/2010	20	Leasehold	18/04/2050	24,057	Land and factory buildings for contract manufacturing and warehouse	2,430

LIST OF PROPERTIES HELD

Location	Date of Valuation	Age of building (years)	Tenure	Expiry Date	Area (sq ft)	Description	Net Book Value (RM'000)
SABAH							
Lot 43A Karamunsing Warehouse 88000 Kota Kinabalu	15/12/2010	25	Leasehold	22/01/2901	11,832	3-storey corner warehouse and office	2,140
Lot 5 Lorong Tembaga Tiga Kawasan MIEL KKIP Selatan Kota Kinabalu Industrial Park Menggatal 88450 Kota Kinabalu	15/12/2010	10	Leasehold	29/05/2101	18,287	1½-storey semi-detached warehouse	1,500
RESIDENTIAL PROPERTIES							
W.P. KUALA LUMPUR							
90, Pinggir Zaaba Taman Tun Dr Ismail 60000 Kuala Lumpur	15/12/2010	19	Freehold	—	5,388	Double-storey detached house	3,000
NEGERI SEMBILAN							
Unit Nos 1D, 1E, 1F, 1G & 2D Marina Bay Admiral Cove 71000 Port Dickson	15/12/2010	13	Leasehold	27/07/2094	3,251	5 units of condominium for staff training and recreation	980
PAHANG							
Unit No. 3556 Block B Awana Golf & Country Resort 69000 Genting Highlands	15/12/2010	23	Freehold	—	1,399	Condominium for staff training and recreation	330
Unit No. A7-22 (P) Amber Court Villa D'Genting Resort 69000 Genting Highlands	15/12/2010	16	Freehold	—	2,386	Condominium for staff training and recreation	310
Unit No. B1-22 (P) Amber Court Villa D'Genting Resort 69000 Genting Highlands	15/12/2010	16	Freehold	—	2,429	Condominium for staff training and recreation	315
Unit No. B1-16 Level 16 Amber Court Villa D'Genting Resort 69000 Genting Highlands	15/12/2010	16	Freehold	—	1,214	Condominium for staff training and recreation	145

ANALYSIS OF SHAREHOLDINGS
AS AT 11 MARCH 2011

Authorised Share Capital	:	RM1,000,000,000
Issued & Fully Paid-Up Capital	:	RM396,629,684
Class of Shares	:	Ordinary Share of RM0.50 each

Voting Right of Shareholders
Every member of the Company present in person or by proxy shall have one vote on a show of hand and in the case of a poll shall have one vote for every share of which he/she is the holder.

DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	8,868	48.72	49,347	0.01
100 – 1,000	2,649	14.55	2,202,253	0.28
1,001 – 10,000	5,715	31.40	23,189,935	2.92
10,001 – 100,000	847	4.65	22,469,852	2.83
100,001 to less than 5% of Issued Capital	120	0.66	171,134,781	21.57
5% and above of Issued Capital	3	0.02	574,213,200	72.39
Total	**18,202**	**100.00**	**793,259,368**	**100.00**

SUBSTANTIAL SHAREHOLDERS

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1 OSK Noms (T) Sdn Bhd				
– A/C Bank Muamalat Malaysia Berhad				
for QSR Ventures Sdn Bhd	228,320,000	28.78	—	—
QSR Brands Bhd	173,407,200	21.86	228,320,000	28.78[1]
Kulim (Malaysia) Berhad	5,637,800	0.71	401,727,200	50.64[2]
Johor Corporation	343,000	0.04	407,365,000	51.35[3]
2 Lembaga Tabung Haji	174,149,600	21.95	—	—

NOTES
1 Deemed interest through QSR Ventures Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
2 Deemed interest through QSR Brands Bhd pursuant to Section 6A of the Companies Act, 1965.
3 Deemed interest through Kulim (Malaysia) Bhd pursuant to Section 6A of the Companies Act, 1965.

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

Save as disclosed below, none of the Directors has any interest, direct or indirect, in the Company and its related corporations.

Director	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Hassim bin Baba	400	*	—	—

NOTES
* Insignificant

ANALYSIS OF SHAREHOLDINGS

In the holding company – QSR Brands Bhd

Director	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %
Hassim bin Baba	32	*	—	—
YBhg Datin Paduka Siti Sa'diah binti Sheikh Bakir	1,000	*	—	—

NOTES
* Insignificant

LIST OF TOP THIRTY (30) SHAREHOLDERS AS AT 11 MARCH 2011

	Name	No. of Shares	%
1	OSK Noms (T) Sdn Bhd – A/C Bank Muamalat Malaysia Berhad for QSR Ventures Sdn Bhd	228,320,000	28.78
2	Lembaga Tabung Haji	174,149,600	21.95
3	QSR Brands Bhd	171,743,600	21.65
4	Malaysia Noms (T) Sdn Bhd – A/C Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	22,089,700	2.78
5	AmanahRaya Trustees Berhad – A/C Skim Amanah Saham Bumiputera	15,000,000	1.89
6	AmanahRaya Trustees Berhad – A/C Public Islamic Dividend Fund	13,824,000	1.74
7	Mayban Noms (T) Sdn Bhd – A/C Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)	11,725,200	1.48
8	AmanahRaya Trustees Berhad – A/C Public Islamic Select Treasures Fund	8,177,800	1.03
9	Cartaban Noms (A) Sdn Bhd – A/C SSBT Fund W4B3 for Wasatch Emerging Markets Small Cap Fund	6,970,985	0.88
10	AmanahRaya Trustees Berhad – A/C Public Islamic Equity Fund	5,707,600	0.72
11	Kulim (Malaysia) Berhad	5,637,800	0.71
12	AmanahRaya Trustees Berhad – A/C Public Islamic Optimal Growth Fund	4,804,000	0.61
13	HSBC Noms (A) Sdn Bhd – A/C BBH and Co Boston for Matthews Asia Small Companies Fund	4,755,560	0.60
14	AmanahRaya Trustees Berhad – A/C Public Islamic Sector Select Fund	4,208,500	0.53
15	Mayban Noms (T) Sdn Bhd – A/C Etiqa Takaful Berhad (Family Fund)	4,100,000	0.52
16	AmanahRaya Trustees Berhad – A/C Amanah Saham Malaysia	3,000,000	0.38
17	Lembaga Tabung Angkatan Tentera	3,000,000	0.38
18	CimSec Noms (T) Sdn Bhd – A/C CIMB Bank Berhad (ETP)	2,970,700	0.37
19	HSBC Noms (A) Sdn Bhd – A/C BNY Brussels for The Bank Of Korea	2,926,200	0.37
20	Malaysia Noms (T) Sdn Bhd – A/C Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	2,508,600	0.32
21	Citigroup Noms (A) Sdn Bhd – A/C CBNY for DFA Emerging Markets Small Cap Series	2,239,200	0.28

22	BHLB Trustee Berhad – A/C Public Focus Select Fund	2,198,000	0.28
23	HSBC Noms (A) Sdn Bhd – A/C Exempt An for JPMorgan Chase Bank, National Association (U.K.)	2,122,100	0.27
24	Cartaban Noms (A) Sdn Bhd – A/C SSBT Fund S9LF for Ministry of Strategy and Finance	2,053,900	0.26
25	HSBC Noms (A) Sdn Bhd – A/C BBH and Co Boston for Uniasiapacific	2,000,000	0.25
26	Mayban Noms (T) Sdn Bhd – A/C Etiqa Takaful Berhad (General Fund)	1,800,000	0.23
27	QSR Brands Bhd	1,663,600	0.21
28	Mayban Noms (T) Sdn Bhd – A/C Etiqa Insurance Berhad (Life Non-Par FD)	1,600,000	0.20
29	HSBC Noms (A) Sdn Bhd – A/C Exempt An for Credit Suisse (K BR-TST-ASING)	1,500,000	0.19
30	HSBC Noms (A) Sdn Bhd – A/C Exempt an for the Bank of New York Mellon (Mellon Acct)	1,344,800	0.17
Total		**714,141,445**	**90.03**

ANALYSIS OF WARRANT HOLDINGS
AS AT 11 MARCH 2011

Exercise Price : RM3.00 per Ordinary Share
Exercise Period : 15 September 2010 up to 14 September 2015

DISTRIBUTION OF WARRANT HOLDERS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
Less than 100	1,504	32.99	27,779	0.09
100 – 1,000	1,519	33.32	523,196	1.66
1,001 – 10,000	1,246	27.33	5,880,130	18.63
10,001 – 100,000	282	6.19	7,350,480	23.29
100,001 to less than 5% of Issued Capital	6	0.13	1,778,448	5.63
5% and above of Issued Capital	2	0.04	16,003,276	50.70
Total	**4,559**	**100.00**	**31,563,309**	**100.00**

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

Save as disclosed below, none of the Directors has any interest, direct or indirect, in the Company and its related corporations.

Director	Direct No. of Warrants	%	Indirect No. of Warrants	%
Hassim bin Baba	16	*	—	—

NOTES
* Insignificant

In the holding company – QSR Brands Bhd

Director	Direct No. of Warrants	%	Indirect No. of Warrants	%
Hassim bin Baba	32	*	—	—

NOTES
* Insignificant

LIST OF TOP THIRTY (30) WARRANT HOLDERS AS AT 11 MARCH 2011

	Name	No. of Warrants	%
1	OSK Noms (T) Sdn Bhd – A/C Bank Muamalat Malaysia Berhad for QSR Ventures Sdn Bhd	9,132,800	28.93
2	QSR Brands Bhd	6,870,476	21.77
3	Lembaga Tabung Haji	1,060,808	3.36
4	Voon Lee Sze	220,000	0.70
5	HLB Noms (T) Sdn Bhd – A/C Tey Soon Dee	137,000	0.43
6	Goh Tai Meng	135,640	0.43
7	Gunasundari a/p Muniandy	115,000	0.36
8	Sim Beng Moe	110,000	0.35
9	SBB Noms (T) Sdn Bhd – A/C Dana Ekuiti Dinamik (CAFM)	100,000	0.32
10	Kiew Kuay Fong	90,000	0.29
11	Loh Chee Yau	85,000	0.27
12	CimSec Noms (T) Sdn Bhd – A/C CIMB Bank for Chan See Chee (MK0102)	83,000	0.26
13	Public Noms (T) Sdn Bhd – A/C Choo Hon Leng (E-SPG)	80,000	0.25
14	Khoo Geok Kieow	77,500	0.25
15	TA Noms (T) Sdn Bhd – A/C Ramesh A/L Rajaratnam	76,000	0.24
16	Lim Ah Seong	75,000	0.24
17	Mayban Noms (T) Sdn Bhd – A/C Etiqa Insurance Berhad (Life Non-Par FD)	70,576	0.22
18	CimSec Noms (T) Sdn Bhd – A/C CIMB Bank for Yeo Ann Seck (MY0696)	70,000	0.22
19	Tay Soo Khoon	70,000	0.22
20	QSR Brands Bhd.	66,544	0.21
21	Tan Poh Yan	66,000	0.21
22	Sentral Bina Jaya Sdn Bhd	65,900	0.21
23	Mayban Noms (T) Sdn Bhd – A/C Chin Fui Boon	63,300	0.20
24	Public Noms (T) Sdn Bhd – A/C Yew Siew Ching (E-KLG/BTG)	60,000	0.19
25	Mayban Noms (T) Sdn Bhd – A/C Yusmayany binti Yusof	60,000	0.19
26	Choong Yit Thang	60,000	0.19
27	Tan Teyau Leng	60,000	0.19
28	Lean Kee Bee	60,000	0.19
29	CimSec Noms (T) Sdn Bhd – A/C Chieng Leh Liew (Kuching-CL)	59,900	0.19
30	Zarah binti Yusof	54,600	0.17
Total		**19,335,044**	**61.26**

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KFC HOLDINGS (MALAYSIA) BHD 65787-T

No. of ordinary shares	CDS account no. of authorised Nominee

FORM OF PROXY

31ST ANNUAL GENERAL MEETING

I/We, ____
(Full name and NRIC No./Company No. in capital letters)

of ____
(Full address in capital letters and telephone no.)

____

being a member/members of KFC Holdings (Malaysia) Bhd ("Company"), hereby appoint ____________________

____
(Name of proxy as per NRIC, in capital letters)

NRIC No. ______________________ (new) ______________________ (old)

of ____
(Full address in capital letters)

or failing him/her ____
(Name of proxy as per NRIC, in capital letters)

NRIC No. ______________________ (new) ______________________ (old)

of ____
(Full address in capital letters)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the 31st Annual General Meeting ("AGM") of the Company to be held at Level 3, Wisma KFC, No. 17 Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 27 April 2011 at 11:30 am or any adjournment thereof in respect of my/our holdings of shares in the manner indicated below:

		FOR	AGAINST
Resolution 1	Financial Statements and Reports		
Resolution 2	Payment of Directors' Fees		
	Re-election of Directors:-		
Resolution 3	Tan Sri Dato' Dr Yahya bin Awang		
Resolution 4	Kua Hwee Sim		
Resolution 5	Kamaruzzaman bin Abu Kassim		
Resolution 6	Re-appointment of Messrs KPMG as Auditors of the Company		
Resolution 7	Resolution pursuant to Section 132D of the Companies Act 1965		
Resolution 8	Resolution pursuant to the Proposed Renewal of Share Buy-Back Authority		
Resolution 9	Resolution pursuant to the Proposed Shareholders' Mandate for the recurrent related party transactions of a revenue or trading nature with related parties		
Resolution 10	Resolution pursuant to the Proposed Amendments to the Company's Articles of Association		

(Please indicate with a ("✓") in the appropriate box whether you wish your vote to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he thinks fit. However, if more than one proxy is appointed, please specify the number of shares represented by each proxy, failing which the appointment shall be invalid)

____
Signature(s)/Common Seal of Shareholder(s)

Dated this ______ day of ____________ 2011

Notes:

1. A member of the Company entitled to attend and vote at the abovementioned Annual General Meeting ("AGM") may appoint a Proxy to attend and vote in his stead. A Proxy may but need not be a member of the Company. If the Proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or person approved by the Companies Commission of Malaysia.
2. If the member is a corporation, this Proxy Form must be executed under its common seal or the hand of its duly authorised officer or attorney. If this Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.
3. A member of the Company may appoint more than two (2) proxies to attend the AGM. Where a member appoints two (2) or more Proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
4. Any alteration made in this form should be initialled by the person who signs it.
5. This Proxy Form and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority must be deposited at Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the AGM or any adjournment thereof.

AFFIX
STAMP
HERE

TRICOR INVESTOR SERVICES SDN BHD
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur