

Financial Statements

Directors' Report	066	Balance Sheets	073
Statement by Directors	070	Statements of Changes in Equity	074
Statutory Declaration	070	Cash Flow Statements	075
Report of the Auditors	071	Notes to the Financial Statements	077
Income Statements	072		



Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries and associate are described in Note 14 and Note 15 to the financial statements respectively.

RESULTS

	Group RM'000	Company RM'000
Profit before tax	80,186	30,841
Income tax expense	(13,170)	(10,881)
Profit after tax	67,016	19,960

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2006 were as follows:

RM'000

In respect of the financial year ended 31 December 2006 as reported in the directors' report of that year:

Final dividend of 6 sen less 27% taxation per share, on 245,471,082 ordinary shares, declared
on 18 May 2007 and paid on 9 July 2007

10,752

In respect of the financial year ended 31 December 2007:

Interim dividend of 4 sen less 27% taxation per share, on 245,471,082 ordinary shares, declared
on 30 August 2007 and paid on 5 October 2007

7,167

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2007, of 5 sen less 26% taxation per share on the enlarged share capital of 286,382,929 ordinary shares [after taking into consideration of Rights Issue as disclosed in Note 32(ii)], amounting to a total dividend payable of RM10,596,000 (3.7 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

Directors' Report

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

YBhg Tan Sri Dato' Muhammad Ali bin Hashim	(Chairman)
Ahamad bin Mohamad	(Deputy Chairman)
Jamaludin bin Md Ali	(Managing Director)
YBhg Dato' Dr Ridzuan bin Mohd Akil	
YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail	
Sheik Sharufuddin bin Sheik Mohd	
Kua Hwee Sim	
Wong Seng Lee	(Resigned on 1 January 2008)
Mohammad bin Alwi	(Resigned on 1 January 2008)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement, to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

DIRECTORS' INTERESTS

None of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM244,252,839 to RM245,471,082 by way of the issuance of 1,218,243 new ordinary shares of RM1.00 each upon the conversion of 1,218,243 warrants at the exercise price of RM1.19 each. The share premium of RM231,466 arising from the issuance of the shares at the exercise price above the nominal value of RM1.00 each share has been credited to the share premium account.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.



Directors' Report

WARRANTS

The main features of the warrants are disclosed in Note 23 to the financial statements.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The ESOS had been approved by the Securities Commission and became effective on 8 July 2004. As at the date of this report, none of the ESOS options has been granted to any of the eligible directors or employees. The ESOS options will expire on 8 July 2009.

SUBSEQUENT EVENTS

Details of the subsequent events are disclosed in Note 32 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.



Directors' Report

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 March 2008.

TAN SRI DATO' MUHAMMAD ALI BIN HASHIM
Chairman

JAMALUDIN BIN MD ALI
Managing Director



Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

We, TAN SRI DATO' MUHAMMAD ALI BIN HASHIM and JAMALUDIN BIN MD ALI, being two of the directors of QSR BRANDS BHD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 72 to 124 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 March 2008.

TAN SRI DATO' MUHAMMAD ALI BIN HASHIM
Chairman

JAMALUDIN BIN MD ALI
Managing Director

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, MOHAMMAD BIN ALWI, being the officer primarily responsible for the financial management of QSR BRANDS BHD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 72 to 124 are in my opinion 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 abovenamed MOHAMMAD BIN ALWI
at Kuala Lumpur in the Federal Territory
on 14 March 2008

MOHAMMAD BIN ALWI

Before me

Maisharah binti Abu Hasan (W181)
Commissioner for Oaths

Report of the Auditors

to the members of
QSR Brands Bhd

We have audited the accompanying financial statements set out on pages 72 to 124. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants

LEE SENG HUAT
No. 2518/12/09 (J)
Partner

Kuala Lumpur, Malaysia
14 March 2008



Income Statements

for the year ended 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	3	466,379	428,543	46,757	40,488
Cost of sales	4	(135,432)	(122,568)	-	-
Gross profit		330,947	305,975	46,757	40,488
Other income		23,850	21,932	905	1,204
Administrative expenses		(29,826)	(35,183)	(3,959)	(10,499)
Selling and marketing expenses		(276,055)	(251,323)	-	-
Other expenses		(1,313)	(1,102)	-	-
Operating profit		47,603	40,299	43,703	31,193
Finance costs	5	(13,907)	(10,204)	(12,862)	(8,756)
Share of profit of associate		46,490	35,737	-	-
Profit before tax	6	80,186	65,832	30,841	22,437
Income tax expense	9	(13,170)	(11,286)	(10,881)	(6,811)
Profit for the year		67,016	54,546	19,960	15,626
Earnings per share attributable to equity holders of the Company (sen):					
Basic, for profit for the year	10	27.31	22.62		
Diluted, for profit for the year	10	-	22.52		

The accompanying notes form an integral part of the financial statements.

Balance Sheets

as at 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	124,627	106,464	1,135	1,296
Intangible assets	13	62,960	61,876	-	-
Investments in subsidiaries	14	-	-	125,346	125,346
Investments in associate	15	521,521	436,076	180,403	127,348
Fixed deposit	16	5,952	14,864	5,952	14,864
		715,060	619,280	312,836	268,854
Current assets					
Inventories	17	13,875	15,071	-	-
Trade and other receivables	18	30,836	32,935	267,052	281,313
Cash and bank balances	19	42,001	32,225	16,088	7,574
		86,712	80,231	283,140	288,887
TOTAL ASSETS		801,772	699,511	595,976	557,741
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	23	245,471	244,253	245,471	244,253
Other reserves	24	9,809	9,498	9,152	8,920
Retained earnings	25	221,237	172,129	111,655	109,614
Total equity		476,517	425,880	366,278	362,787
Non-current liabilities					
Borrowings	20	170,979	200,011	165,419	185,147
Deferred tax liabilities	22	9,375	6,646	-	-
		180,354	206,657	165,419	185,147
Current liabilities					
Borrowings	20	80,221	7,432	60,955	-
Trade and other payables	21	62,481	56,938	3,324	9,807
Current tax payable		2,199	2,604	-	-
		144,901	66,974	64,279	9,807
Total liabilities		325,255	273,631	229,698	194,954
TOTAL EQUITY AND LIABILITIES		801,772	699,511	595,976	557,741

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 December 2007

Group	Note	← Attributable to Equity Holders of the Company →					Total Equity RM'000
		Share Capital (Note 23) RM'000	Share Premium (Note 24) RM'000	← Non-Distributable →		Distributable	
				Exchange Fluctuation Reserve (Note 24) RM'000	Revaluation Reserve (Note 24) RM'000		
At 1 January 2006		239,288	7,977	(57)	596	129,726	377,530
Translation differences		-	-	36	-	-	36
Profit for the year		-	-	-	-	54,546	54,546
Issuance of share capital							
- conversion of warrants		4,965	943	-	-	-	5,908
Revaluation surplus (net of deferred tax) on land and buildings		-	-	-	3	-	3
Dividends	11	-	-	-	-	(12,143)	(12,143)
At 31 December 2006		244,253	8,920	(21)	599	172,129	425,880
At 1 January 2007		244,253	8,920	(21)	599	172,129	425,880
Translation differences		-	-	90	-	-	90
Profit for the year		-	-	-	-	67,016	67,016
Issuance of share capital							
- conversion of warrants		1,218	232	-	-	-	1,450
Transfer of revaluation reserve		-	-	-	(11)	11	-
Dividends	11	-	-	-	-	(17,919)	(17,919)
At 31 December 2007		245,471	9,152	69	588	221,237	476,517
Company							
At 1 January 2006		239,288	7,977	-	-	106,131	353,396
Profit for the year		-	-	-	-	15,626	15,626
Issuance of share capital							
- conversion of warrants		4,965	943	-	-	-	5,908
Dividends	11	-	-	-	-	(12,143)	(12,143)
At 31 December 2006		244,253	8,920	-	-	109,614	362,787
At 1 January 2007		244,253	8,920	-	-	109,614	362,787
Profit for the year		-	-	-	-	19,960	19,960
Issuance of share capital							
- conversion of warrants		1,218	232	-	-	-	1,450
Dividends	11	-	-	-	-	(17,919)	(17,919)
At 31 December 2007		245,471	9,152	-	-	111,655	366,278

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

for the year ended 31 December 2007

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	80,186	65,832	30,841	22,437
Adjustments for:				
Amortisation of franchise fees	1,607	947	-	-
Franchise fees written off	194	-	-	-
Depreciation of property, plant and equipment	21,089	19,742	161	87
Interest expense	13,907	10,204	12,862	8,756
Loss on disposal of property, plant and equipment	1,302	1,027	-	-
Dividend income from				
- unquoted subsidiaries	-	-	(40,000)	(39,686)
- associate	-	-	(6,757)	(802)
Interest income	(2,123)	(3,180)	(905)	(1,203)
Impairment of property, plant and equipment	-	75	-	-
Share of profit of associate	(46,490)	(35,737)	-	-
Operating profit/(loss) before working capital changes	69,672	58,910	(3,798)	(10,411)
Inventories	1,196	(1,032)	-	-
Receivables	4,556	(12,432)	993	(247)
Subsidiaries	-	-	14,341	1,065
Payables	5,543	7,227	(6,483)	6,540
Cash generated from/(used in) operations	80,967	52,673	5,053	(3,053)
Interest paid	(13,907)	(10,204)	(12,862)	(8,756)
Taxes (paid)/refunded	(13,303)	(13,278)	670	-
Net cash generated from/(used in) operating activities	53,757	29,191	(7,139)	(11,809)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(41,361)	(36,696)	-	(1,383)
Purchase of additional shares in associate	(53,055)	(98,736)	(53,055)	(98,736)
Proceeds from disposal of property, plant and equipment	807	210	-	-
Franchise fees	(2,885)	(5,133)	-	-
Interest received	2,123	3,180	905	1,203
Exchange translation adjustments	90	36	-	-
Net dividends received from				
- unquoted subsidiaries	-	-	29,200	30,446
- associate	14,100	4,687	4,933	578
Net cash used in investing activities	(80,181)	(132,452)	(18,017)	(67,892)



Cash Flow Statements

for the year ended 31 December 2007

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of shares	1,450	5,908	1,450	5,908
Drawdown of bank borrowings	51,227	58,780	41,227	58,780
Repayment of term loan	(7,470)	(7,048)	-	-
Reduction in the restriction on deposit pledged with licensed bank	8,912	5,136	8,912	5,136
Payment of dividends	(17,919)	(12,143)	(17,919)	(12,143)
Net cash generated from financing activities	36,200	50,633	33,670	57,681
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,776	(52,628)	8,514	(22,020)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	32,225	84,853	7,574	29,594
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 19)	42,001	32,225	16,088	7,574

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2007

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”). The registered office of the Company is located at Level 17, Wisma KFC, No. 17 Jalan Sultan Ismail, 50250 Kuala Lumpur.

The immediate holding company is Kulim (Malaysia) Berhad, a public listed company listed on the Main Board of Bursa Securities and the ultimate holding company is Johor Corporation, a body corporate established under the Johor Corporation Enactment (No. 4 of 1968) (as amended by Enactment No. 5 of 1995).

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries and associate are described in Note 14 and Note 15 to the financial statements respectively. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 March 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared on a historical basis, unless otherwise disclosed in significant accounting policies, and comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousands (RM'000) except when otherwise indicated.

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.



Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(a) Subsidiaries and Basis of Consolidation (cont'd)

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(b) Associates (cont'd)

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associate is stated at cost less impairment loss.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.



Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(c) Intangible Assets (cont'd)

(ii) Other Intangible Assets (cont'd)

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

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

(d) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and buildings are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated.

Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.2 Summary of Significant Accounting Policies (cont'd)****(d) Property, Plant and Equipment and Depreciation (cont'd)**

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2%
Leasehold improvements and renovation	10%
Motor vehicles	20%
Restaurant and office equipment	10 - 20%

No depreciation is provided for crockery, cutlery and utensils. The cost of replacing these assets is charged against revenue as and when incurred.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(e) Impairment of Non-financial Assets

The carrying amounts of assets, other than inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.



Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(e) Impairment of Non-financial Assets (cont'd)

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(f) Inventories

Inventories are stated at the lower of cost (determined on an actual basis) and net realisable value. In arriving at net realisable value, due allowance is made for all obsolete and slow moving items. Cost includes the purchase price of goods and attributable expenditure. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(g) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(g) Financial Instruments (cont'd)

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

(iv) Trade Payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vi) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved by the shareholders.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.



Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(h) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to the ownership. Leases of land and buildings are classified as operating or finance lease in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classifications. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exception:

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Operating Leases - the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(i) 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(j) Income Tax (cont'd)

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(l) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.



Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(l) Employee Benefits (cont'd)

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(iii) Termination Benefits

Termination benefits are payable when employment is terminate before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

(m) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(m) Foreign Currencies (cont'd)

(ii) Foreign Currency Transactions (cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Group's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2005 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.



Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(m) Foreign Currencies (cont'd)

(iii) Foreign Operations (cont'd)

The principal exchange rate used for every unit of foreign currency is as follows:

	Year end rates		Average rates	
	2007 RM	2006 RM	2007 RM	2006 RM
Singapore (S\$)	2.3165	2.3225	2.2805	2.3110

(n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- (i) Revenue from pizza restaurants is recognised at point of sales.
- (ii) Dividend income is recognised when the Group's right to receive payment is established.
- (iii) Other revenue are recognised on an accrual basis or when the right of receipt has been established.

Intercompany sales are excluded from the revenue of the Group.

(o) Non-current Assets (or Disposal Groups) Held for Sale and Discontinued Operation

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.3 Changes in Accounting Policies and Effects Arising from Application of New and Revised FRSs**

In prior year, the Group has early adopted FRS 117: Leases for the financial period beginning 1 January 2006.

On 1 January 2007, the Group and the Company have adopted FRS 124: Related Party Disclosures.

The MASB has also issued FRS 6: Exploration for and Evaluation of Mineral Resources and Amendments to FRS 119₂₀₀₄: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures, which will be effective for annual periods beginning on or after 1 January 2007. Both FRS 6 and Amendments to FRS 119₂₀₀₄ are not applicable to the Group or the Company.

The adoption of the revised FRS 124 give rise to additional disclosures but did not result in significant changes in accounting policies of the Group and of the Company.

2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following new and revised FRS, amendment to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRS, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
FRS 107: Cash Flow Statements	1 July 2007
FRS 111: Construction Contracts	1 July 2007
FRS 112: Income Taxes	1 July 2007
FRS 118: Revenue	1 July 2007
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134: Interim Financial Reporting	1 July 2007
FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment In a Foreign Operation	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129 ₂₀₀₄ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007



Notes to the Financial Statements

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Standards and Interpretations Issued but Not Yet Effective (cont'd)

The above new and revised FRS, amendment to FRS and Interpretations are not expected to have a significant impact on the financial statements of the Group and the Company upon their initial application except for the following:

Amendment to FRS 121: The effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

This amendment requires that where an entity has a monetary item that forms part of its net investment in a foreign operation, the exchange differences arising from such monetary items should always be recognised in equity in the consolidated financial statements and should not be dependent on the currency of the monetary item. Prior to this amendment, exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation are recognised in equity in the consolidated financial statements only when that monetary item is denominated either in the functional currency of the reporting entity or the foreign operation. The Group will apply this amendment from financial periods beginning 1 January 2008. As it is not possible to reasonably estimate the exchange rates applicable to such monetary items for future periods, the directors are therefore unable to determine if the initial adoption of this amendment will have a material impact on the consolidated financial statements for the financial ending 31 December 2008.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

2.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangible assets are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the assets or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 13 to the financial statements.

Notes to the Financial Statements

31 December 2007

3. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Sales of goods	466,379	428,543	-	-
Gross dividends from subsidiaries	-	-	40,000	39,686
Gross dividends from associate	-	-	6,757	802
	466,379	428,543	46,757	40,488

Revenue for the Group represents cash and invoiced amount for sales of goods and services rendered after allowing for sales discounts and returns and excludes intra-group transactions.

4. COST OF SALES

Cost of sales represents cost of inventories sold.

5. FINANCE COSTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest payable				
- term loans and others	13,907	10,204	12,862	8,756

6. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Employee benefits expense (Note 7)	105,545	97,615	1,020	890
Non-Executive Directors' remuneration (Note 8)	367	30	367	30
Auditors' remuneration				
- statutory audits	168	163	25	10
- underprovision in prior year	-	10	-	-
- other services	79	112	17	37
Amortisation of franchise fees	1,607	947	-	-
Franchise fees written off	194	-	-	-



Notes to the Financial Statements

31 December 2007

6. PROFIT BEFORE TAX (CONT'D)

The following amounts have been included in arriving at profit before tax: (cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Depreciation of property, plant and equipment (Note 12)	21,089	19,742	161	87
Rental of land and buildings				
- related parties	1,297	1,032	-	-
- others	45,258	42,777	-	31
Loss on disposal of property, plant and equipment	1,302	1,027	-	-
Impairment of property, plant and equipment	-	75	-	-
Rental income				
- associate	(73)	-	-	-
Interest receivable				
- deposits with financial institutions	(1,457)	(2,327)	(905)	(1,203)
- associate	(666)	(843)	-	-
- others	-	(10)	-	-

7. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Wages and salaries	70,947	66,457	726	437
Social security contribution	686	644	1	-
Contributions to defined contribution plan	9,764	9,415	89	96
Other benefits	24,148	21,099	204	357
	105,545	97,615	1,020	890

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM560,000 (2006: RM516,000) and RM559,000 (2006: RM515,000) respectively as further disclosed in Note 8.

Notes to the Financial Statements

31 December 2007

8. DIRECTORS' REMUNERATION

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Executive directors' remuneration (Note 7):				
Fees	1	1	-	-
Other emoluments	559	515	559	515
	560	516	559	515
Non-executive directors' remuneration (Note 6):				
Fees				
- current year's provision	273	137	273	137
- overprovision in prior year	-	(225)	-	(225)
Other emoluments	94	118	94	118
	367	30	367	30
Total directors' remuneration	927	546	926	545
Estimated money value of benefits-in-kind	68	26	68	26
Total directors' remuneration including benefits-in-kind	995	572	994	571

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Executive:				
Salaries and other emoluments	511	349	511	349
Fees	1	1	-	-
Bonus	-	111	-	111
Defined contribution plan	48	55	48	55
Estimated money value of benefits-in-kind	68	26	68	26
	628	542	627	541
Non-Executive:				
Fees				
- current year's provision	273	137	273	137
- overprovision in prior year	-	(225)	-	(225)
Other emoluments	94	118	94	118
	367	30	367	30

Notes to the Financial Statements

31 December 2007

8. DIRECTORS' REMUNERATION (CONT'D)

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2007	2006
Executive directors:		
RM150,001 - RM200,000	-	1
RM200,001 - RM250,000	1	-
RM350,001 - RM400,000	1	1
Non-executive directors:		
Below RM50,000	3	17
RM50,001 - RM100,000	4	-

9. INCOME TAX EXPENSE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current income tax:				
Malaysian income tax	7,387	9,261	9,002	6,970
Foreign tax	2,037	1,759	-	-
	9,424	11,020	9,002	6,970
(Over)/underprovision in prior years:				
Malaysian income tax	1,772	(608)	1,879	(159)
Foreign tax	(755)	891	-	-
	10,441	11,303	10,881	6,811
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	2,192	1,434	-	-
Relating to changes in tax rates	(209)	(144)	-	-
Under/(over) provision in prior years	746	(1,307)	-	-
	2,729	(17)	-	-
Total income tax expense	13,170	11,286	10,881	6,811

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% in subsequent years of assessment. The computation of deferred tax as at 31 December 2007 has reflected these changes.

Notes to the Financial Statements

31 December 2007

9. INCOME TAX EXPENSE (CONT'D)

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During the current financial year, the income tax rate applicable to subsidiaries in Singapore was reduced from 20% in 2006 to 18% in 2007.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2007 RM'000	2006 RM'000
Group		
Profit before tax	80,186	65,832
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	21,650	18,433
Effect of income subject to tax rate of 20%	(35)	(40)
Different tax rate in other country	(1,130)	(496)
Effect of changes in tax rates on opening balance of deferred tax	(209)	(144)
Deferred tax recognised at different tax rate	(69)	(37)
Expenses not deductible for tax purposes	3,752	4,600
Under/(over)provision of deferred tax in prior years	746	(1,307)
Underprovision of tax expense in prior years	1,017	283
Effect of share of profit of associate	(12,552)	(10,006)
Income tax expense for the year	13,170	11,286
Company		
Profit before tax	30,841	22,437
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	8,327	6,282
Expenses not deductible for tax purposes	675	2,560
Income not subject to tax	-	(1,872)
Under/(over)provision of tax expense in prior years	1,879	(159)
Income tax expense for the year	10,881	6,811

Tax savings during the financial year arising from:

	Group	
	2007 RM'000	2006 RM'000
Utilisation of current year capital allowances	16,868	13,954



Notes to the Financial Statements

31 December 2007

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share amount is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2007	Group 2006
Profit for the year (RM'000)	67,016	54,546
Weighted average number of ordinary shares in issue ('000)	245,405	241,193
Basic earnings per share (sen)	27.31	22.62

(b) Diluted

There is no diluted earnings per share as the Company does not have any dilutive potential ordinary shares as at the end of the financial year.

In prior year, fully diluted earnings per share for the year was calculated using an enlarged weighted average number of shares after the inclusion of the number of unexercised warrants outstanding as at 31 December 2006 of 1,547,163.

	Group 2006
Profit for the year (RM'000)	54,546
Weighted average number of ordinary shares in issue ('000)	241,193
Adjustment for assumed exercise of warrants ('000)	980
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	242,173
Diluted earnings per share (sen)	22.52

(c) Employee Share Option Scheme ("ESOS")

The ESOS had been approved by the Securities Commission and became effective on 8 July 2004. As at the date of this report, none of the ESOS options has been granted to any of the eligible directors or employees. The ESOS options will expire on 8 July 2009.

Notes to the Financial Statements

31 December 2007

11. DIVIDENDS

	Dividends in respect of Year			Dividends Recognised in Year	
	2007 RM'000	2006 RM'000	2005 RM'000	2007 RM'000	2006 RM'000
Recognised during the year					
Final dividend for 2005: 4 sen less 28% taxation on 240,951,055 ordinary shares (2.9 sen per ordinary share)	-	-	6,939	-	6,939
Interim dividend for 2006: 3 sen less 28% taxation on 240,910,194 ordinary shares (2.2 sen per ordinary share)	-	5,204	-	-	5,204
Final dividend for 2006: 6 sen less 27% taxation on 245,471,082 ordinary shares (4.4 sen per ordinary share)	-	10,752	-	10,752	-
Interim dividend for 2007: 4 sen less 27% taxation on 245,471,082 ordinary shares (2.9 sen per ordinary share)	7,167	-	-	7,167	-
Proposed for approval at AGM (not recognised as at 31 December)					
Final dividend for 2007: 5 sen less 26% taxation on the enlarged share capital of 286,382,929 ordinary shares after taking into consideration of Rights Issue (3.7 sen per ordinary share)	10,596	-	-	-	-
	17,763	15,956	6,939	17,919	12,143

Notes to the Financial Statements

31 December 2007

11. DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2007, of 5 sen less 26% taxation per share on the enlarged share capital of 286,382,929 ordinary shares [after taking into consideration of Rights Issue as disclosed in Note 32(ii)], amounting to a dividend payable of RM10,596,000 (3.7 sen net per share) will be proposed for shareholders' approval. The financial statements for current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Leasehold improve- ments and renovation RM'000	Motor vehicles RM'000	Restaurant and office equipment RM'000	Total RM'000
At 31 December 2007						
Cost or valuation						
At 1 January 2007						
At cost	-	-	65,041	6,105	122,962	194,108
At valuation	408	3,820	-	-	-	4,228
	408	3,820	65,041	6,105	122,962	198,336
Additions	-	-	14,430	1,612	25,319	41,361
Disposals/write off	-	-	(8,838)	(951)	(9,385)	(19,174)
At 31 December 2007	408	3,820	70,633	6,766	138,896	220,523
Representing:						
At cost	-	-	70,633	6,766	138,896	216,295
At valuation	408	3,820	-	-	-	4,228
At 31 December 2007	408	3,820	70,633	6,766	138,896	220,523

Notes to the Financial Statements

31 December 2007

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (Cont'd)	Freehold land RM'000	Buildings RM'000	Leasehold improvements and renovation RM'000	Motor vehicles RM'000	Restaurant and office equipment RM'000	Total RM'000
At 31 December 2007 (Cont'd.)						
Accumulated depreciation and impairment						
At 1 January 2007						
Accumulated depreciation	-	141	35,395	3,570	52,658	91,764
Accumulated impairment losses	-	108	-	-	-	108
Depreciation charge for the year	-	249	35,395	3,570	52,658	91,872
Disposals/write off	-	82	7,041	863	13,103	21,089
	-	-	(8,006)	(915)	(8,144)	(17,065)
At 31 December 2007	-	331	34,430	3,518	57,617	95,896
Analysed as:						
Accumulated depreciation	-	223	34,430	3,518	57,617	95,788
Accumulated impairment losses	-	108	-	-	-	108
	-	331	34,430	3,518	57,617	95,896
Net carrying amount						
At cost	-	-	36,203	3,248	81,279	120,730
At valuation	408	3,489	-	-	-	3,897
At 31 December 2007	408	3,489	36,203	3,248	81,279	124,627



Notes to the Financial Statements

31 December 2007

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (Cont'd)	Freehold land RM'000	Buildings RM'000	Leasehold improve- ments and renovation RM'000	Motor vehicles RM'000	Restaurant and office equipment RM'000	Total RM'000
At 31 December 2006						
Cost or valuation						
At 1 January 2006						
At cost	-	-	59,794	4,713	102,299	166,806
At valuation	408	2,632	-	-	-	3,040
	408	2,632	59,794	4,713	102,299	169,846
Revaluation surplus	-	4	-	-	-	4
Reclassification from properties held for sale	-	1,184	-	-	-	1,184
Additions	-	-	11,321	1,671	23,704	36,696
Disposals/write off	-	-	(6,074)	(279)	(3,041)	(9,394)
At 31 December 2006	408	3,820	65,041	6,105	122,962	198,336
Representing:						
At cost	-	-	65,041	6,105	122,962	194,108
At valuation	408	3,820	-	-	-	4,228
At 31 December 2006	408	3,820	65,041	6,105	122,962	198,336
Accumulated depreciation and impairment						
At 1 January 2006	-	59	33,729	3,224	43,167	80,179
Reclassification from properties held for sale	-	33	-	-	-	33
Depreciation charge for the year	-	82	7,036	624	12,000	19,742
Impairment loss recognised						
in profit or loss	-	75	-	-	-	75
Disposals/write off	-	-	(5,370)	(278)	(2,509)	(8,157)
At 31 December 2006	-	249	35,395	3,570	52,658	91,872
Analysed as:						
Accumulated depreciation	-	141	35,395	3,570	52,658	91,764
Accumulated impairment losses	-	108	-	-	-	108
	-	249	35,395	3,570	52,658	91,872
Net carrying amount						
At cost	-	-	29,646	2,535	70,304	102,485
At valuation	408	3,571	-	-	-	3,979
At 31 December 2006	408	3,571	29,646	2,535	70,304	106,464

Notes to the Financial Statements

31 December 2007

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Motor vehicles RM'000	Total RM'000
Company		
At 31 December 2007		
Cost		
At 1 January 2007/31 December 2007	1,383	1,383
Accumulated depreciation		
At 1 January 2007	87	87
Depreciation charge for the year	161	161
At 31 December 2007	248	248
Net carrying amount		
At 31 December 2007	1,135	1,135
At 31 December 2006		
Cost		
At 1 January 2006	-	-
Additions	1,383	1,383
At 31 December 2006	1,383	1,383
Accumulated depreciation		
At 1 January 2006	-	-
Depreciation charge for the year	87	87
At 31 December 2006	87	87
Net carrying amount		
At 31 December 2006	1,296	1,296

Notes to the Financial Statements

31 December 2007

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) Had the revalued freehold land and buildings been carried under the cost model, the carrying amounts of properties that would have been included in the financial statements of the Group as at 31 December 2007 would be as follows:

Group	Cost RM'000	Accumulated Depreciation RM'000	Net Carrying Amount RM'000
At 31 December 2007			
Freehold land	408	-	408
Buildings	3,260	495	2,765
	3,668	495	3,173
At 31 December 2006			
Freehold land	408	-	408
Buildings	3,260	414	2,846
	3,668	414	3,254

(b) Title Deeds

The titles of certain properties are pending issuance of strata titles by the relevant authorities.

13. INTANGIBLE ASSETS

Group	Goodwill on Consolidation RM'000	Franchise Fees RM'000	Total RM'000
Cost			
At 1 January 2006	50,605	9,405	60,010
Additions	-	5,133	5,133
At 31 December 2006 and 1 January 2007	50,605	14,538	65,143
Additions	-	2,885	2,885
Write-off	-	(258)	(258)
At 31 December 2007	50,605	17,165	67,770

Notes to the Financial Statements

31 December 2007

13. INTANGIBLE ASSETS (CONT'D)

	Goodwill on Consolidation RM'000	Franchise Fees RM'000	Total RM'000
Accumulated amortisation			
At 1 January 2006	-	2,320	2,320
Amortisation for the year	-	947	947
At 31 December 2006 and 1 January 2007	-	3,267	3,267
Amortisation for the year	-	1,607	1,607
Write-off	-	(64)	(64)
At 31 December 2007	-	4,810	4,810
Net carrying amount			
At 31 December 2006	50,605	11,271	61,876
At 31 December 2007	50,605	12,355	62,960

Impairment tests for goodwill

Goodwill acquired through business combination has been allocated to a cash-generating unit (CGU), Pizza Restaurants segment, which is the reportable segment for impairment testing. Carrying amount of goodwill allocated to Pizza Restaurants segment as at 31 December 2007 was RM50,604,934 (2006: RM50,604,934).

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a ten-year period. The growth rate used to extrapolate the cash flows of the Pizza Restaurants segment beyond the five-year period is 5% (2006: 5%) which is in line with the estimated GDP growth rate for the country.

Notes to the Financial Statements

31 December 2007

13. INTANGIBLE ASSETS (CONT'D)

Key assumptions used in value-in-use calculations (cont'd)

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

- 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 Company.
- Statutory income tax rate - the tax rate for Malaysia is 27% for current year, 26% for year 2008 and thereafter 25% while Singapore tax rate at 18%. There will be no material changes in the present legislation or regulations, rates and bases of duties, levies and other taxes affecting the Company's activities.
- Discount rate - the discount rate used is pre-tax.
- 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.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007 RM'000	2006 RM'000
Unquoted shares at cost	125,346	125,346

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Percentage of Effective Equity Held		Activity
		2007 %	2006 %	
Held by the Company:				
QSR Ventures Sdn Bhd	Malaysia	100	100	(a)
Pizza Hut Holdings (Malaysia) Sdn Bhd	Malaysia	100	100	(a)

Notes to the Financial Statements

31 December 2007

14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiaries	Country of Incorporation	Percentage of Effective Equity Held		Activity
		2007 %	2006 %	
Held through subsidiaries:				
PH Property Holdings Sdn Bhd	Malaysia	100	100	(a)
Pizza Hut Restaurants Sdn Bhd	Malaysia	100	100	(b)
Multibrand QSR Holdings Pte Ltd *	Singapore	100	100	(a)
Pizza Hut Singapore Pte Ltd *	Singapore	100	100	(b)
PH Properties Sdn Bhd	Malaysia	100	100	Dormant

* Audited by affiliate of Ernst & Young

The principal activities of the subsidiaries are in the operations of:

- (a) investment holding; and
- (b) pizza restaurants.

15. INVESTMENTS IN ASSOCIATE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Quoted shares in Malaysia, at cost	471,403	418,348	180,403	127,348
Share of post-acquisition reserves	50,118	17,728	-	-
	521,521	436,076	180,403	127,348
Market value of quoted shares	593,770	459,197	228,458	150,965

Notes to the Financial Statements

31 December 2007

15. INVESTMENTS IN ASSOCIATE (CONT'D)

Details of the associate and its subsidiaries are as follows:

Name	Country of Incorporation	Percentage of Effective Equity Held		Activity
		2007 %	2006 %	
Held by the Group and the Company:				
KFC Holdings (Malaysia) Bhd ^	Malaysia	46.79	42.89	(e)
Held by the associate:				
Ayamas Food Corporation Sdn Bhd	Malaysia	46.79	42.89	(biv) & (e)
Ayamas Integrated Poultry Industry Sdn Bhd	Malaysia	46.79	42.89	(bi), (bii) (biii) & (e)
Bakers' Street Sdn Bhd	Malaysia	46.79	42.89	(a)
Havprime Sdn Bhd	Malaysia	46.79	42.89	(e)
Integrated Poultry Industry Sdn Bhd	Malaysia	46.79	42.89	(biv)
KFC Manufacturing Sdn Bhd	Malaysia	46.79	42.89	(ci), (civ) & (e)
KFC Restaurants Holdings Sdn Bhd	Malaysia	46.79	42.89	(e)
Rangeview Sdn Bhd	Malaysia	46.79	42.89	(d)
Region Food Industries Sdn Bhd	Malaysia	46.79	42.89	(ciii)
Restoran Keluarga Sdn Bhd (formerly known as Pan-Tiara Corporation Sdn Bhd)	Malaysia	46.79	42.89	(a) & (e)
Roaster's Chicken Sdn Bhd	Malaysia	46.79	42.89	(e)
Signature Chef Dining Services Sdn Bhd	Malaysia	46.79	42.89	(a)
Signature Chef Foodservice & Catering Sdn Bhd	Malaysia	46.79	42.89	(a) & (e)
WP Properties Holdings Sdn Bhd	Malaysia	46.79	42.89	(d) & (e)
KFC Agrotech Sdn Bhd	Malaysia	46.79	42.89	Dormant

Notes to the Financial Statements

31 December 2007

15. INVESTMENTS IN ASSOCIATE (CONT'D)

Name	Country of Incorporation	Percentage of Effective Equity Held		Activity
		2007 %	2006 %	
Held by the associate: (cont'd)				
Signature Chef Holdings Sdn Bhd	Malaysia	46.79	42.89	Dormant
Hiei Food Industries Sdn Bhd	Malaysia	37.90	34.74	Dormant
Held through associate's subsidiaries:				
AFCB Properties Sdn Bhd	Malaysia	46.79	42.89	(e)
Asbury's (Malaysia) Sdn Bhd	Malaysia	46.79	42.89	(d)
Ayamas Marketing (M) Sdn Bhd	Malaysia	46.79	42.89	(e)
Chippendales (M) Sdn Bhd	Malaysia	46.79	42.89	(d)
Kedai Ayamas Sdn Bhd	Malaysia	46.79	42.89	(bv) & (e)
Kentucky Fried Chicken (Malaysia) Sendirian Berhad	Malaysia	46.79	42.89	(a)
KFC (East Malaysia) Sdn Bhd	Malaysia	46.79	42.89	(e)
KFC (Peninsular Malaysia) Sdn Bhd	Malaysia	46.79	42.89	(a), (cii) & (e)
KFC (Sabah) Sdn Bhd *	Malaysia	42.11	38.60	(a)
KFC (Sarawak) Sdn Bhd *	Malaysia	46.79	42.89	(a)
Ladang Ternakan Putihekar (N.S.) Sdn Bhd	Malaysia	46.79	42.89	(bi)
MH Integrated Farm Berhad	Malaysia	46.79	42.89	(d)
Pintas Tiara Sdn Bhd	Malaysia	46.79	42.89	(d)
Rasa Ayamas Sdn Bhd	Malaysia	46.79	42.89	(a)
Rasamas Bangi Sdn bhd (formerly knaun as Bintang Ikhtisas Sdn Bhd)	Malaysia	46.79	42.89	(a)
Rasamas Tebrau Sdn Bhd (formerly known as Aspirasi Bintang Sdn Bhd)	Malaysia	46.79	42.89	(a)

Notes to the Financial Statements

31 December 2007

15. INVESTMENTS IN ASSOCIATE (CONT'D)

Name	Country of Incorporation	Percentage of Effective Equity Held		Activity
		2007 %	2006 %	
Held through associate's subsidiaries: (cont'd)				
Rayaplex Sdn Bhd	Malaysia	46.79	42.89	(e)
Restoran Sabang Sdn Bhd	Malaysia	46.79	42.89	(a)
SBC Coffee Holdings Sdn Bhd	Malaysia	46.79	42.89	(e)
Seattle's Best Coffee Sdn Bhd	Malaysia	46.79	42.89	(a)
SPM Restaurants Sdn Bhd	Malaysia	46.79	42.89	(a)
Wangsa Progresi Sdn Bhd	Malaysia	46.79	42.89	(d)
Helix Investments Limited *	Hong Kong	46.79	42.89	(e)
Kentucky Fried Chicken Management Pte Ltd *	Singapore	46.79	42.89	(a)
WQSR Holdings (S) Pte Ltd *	Singapore	46.79	42.89	(e)
KFC (B) Sdn Bhd *	Brunei Darussalam	21.48	19.69	(a)
Ayamas Contract Farming Sdn Bhd	Malaysia	46.79	42.89	Dormant
Ayamas Farms & Hatchery Sdn Bhd	Malaysia	46.79	42.89	Dormant
Ayamas Feedmill Sdn Bhd	Malaysia	46.79	42.89	Dormant
Ayamas Franchise Sdn Bhd	Malaysia	46.79	42.89	Dormant
Farm's Choice Marketing (M) Sdn Bhd	Malaysia	46.79	42.89	Dormant
Kentucky Trading Sdn Bhd	Malaysia	46.79	42.89	Dormant
KFC Technical Services Sdn Bhd	Malaysia	46.79	42.89	Dormant
Rasa Gourmet Sdn Bhd	Malaysia	46.79	42.89	Dormant
Rasamas Larkin Sdn Bhd (formerly known as Rasamas Plentong Sdn Bhd and Edgelink Sdn Bhd)	Malaysia	46.79	42.89	Dormant
Signature Chef Catercare Sdn Bhd	Malaysia	46.79	42.89	Dormant
Sterling Distinction Sdn Bhd	Malaysia	46.79	42.89	Dormant

Notes to the Financial Statements

31 December 2007

15. INVESTMENTS IN ASSOCIATE (CONT'D)

Name	Country of Incorporation	Percentage of Effective Equity Held		Activity
		2007 %	2006 %	
Held through associate's subsidiaries: (cont'd)				
Supreme Majestic Sdn Bhd	Malaysia	46.79	42.89	Dormant
Ayamas Food Corporation (S) Pte Ltd *	Singapore	46.79	42.89	Dormant
Yes Gelato Sdn Bhd	Malaysia	37.43	34.31	Dormant

The principal activities of the Company's associate and its subsidiaries are in the operations of:

- (a) restaurants
- (b) integrated poultry
 - (i) breeder farms
 - (ii) hatchery
 - (iii) feedmill
 - (iv) poultry processing and further processing plants
 - (v) poultry retail and convenience food store chain
- (c) ancillary
 - (i) bakery
 - (ii) commissary
 - (iii) sauce manufacturing plant
 - (iv) trading in consumables
- (d) property holding
- (e) investment holding

* Audited by affiliate of Ernst & Young

^ Listed on the Main Board of Bursa Securities

The summarised financial information of the associate is as follows:

	2007 RM'000	2006 RM'000
Assets and liabilities		
Current assets	331,642	321,672
Non-current assets	674,486	652,406
Total assets	1,006,128	974,078
Current liabilities	257,486	279,016
Non-current liabilities	139,701	160,721
Total liabilities	397,187	439,737
Results		
Revenue	1,730,371	1,523,839
Profit for the year	105,543	99,049

Notes to the Financial Statements

31 December 2007

15. INVESTMENTS IN ASSOCIATE (CONT'D)

The details of goodwill included within the Group's carrying amount of investments in associate are as follows:

	Goodwill	
	2007 RM'000	2006 RM'000
Cost		
At 1 January	19,012	14,553
Arising from investments in associate	1,729	4,459
At 31 December	20,741	19,012
Accumulated impairment losses		
At 1 January	672	514
Arising from investments in associate	61	158
At 31 December	733	672
Net carrying amount		
At 31 December	20,008	18,340

16. FIXED DEPOSIT

An amount of RM15.68 million is deposited with a licensed bank as collateral for a term loan facility granted to a subsidiary (Note 20).

This security deposit shall be reduced such that the amount of deposit shall not exceed the outstanding term loan principal at all times.

Based on repayment schedule of the outstanding term loan at 31 December 2007, the tenure of the deposit is as follow:

	Group/Company	
	2007 RM'000	2006 RM'000
Current (Note 19)	9,728	5,136
Non-current	5,952	14,864
	15,680	20,000

Notes to the Financial Statements

31 December 2007

17. INVENTORIES

	Group	
	2007 RM'000	2006 RM'000
At cost		
Trading stocks	13,584	14,763
Spare parts	291	308
	13,875	15,071

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables	1,693	1,474	-	-
Less: Allowance for doubtful debts	(1,052)	(1,052)	-	-
Trade receivables, net	641	422	-	-
Other receivables				
Amount due from related parties:				
Advance to subsidiaries	-	-	262,253	276,594
Amount due from associate	2,559	7,943	-	-
	2,559	7,943	262,253	276,594
Sundry receivables	1,812	1,556	561	20
Prepayments	4,665	5,169	-	1,519
Deposits	13,390	12,533	-	15
Tax recoverable	7,769	5,312	4,238	3,165
	30,195	32,513	267,052	281,313
	30,836	32,935	267,052	281,313

(a) Credit risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

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.

Trade receivable are non-interest bearing and the normal trade credit terms granted to the Group is 30 days.

Notes to the Financial Statements

31 December 2007

18. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Amounts due from related parties

The advance to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The amount due from associate is interest bearing and repayable on demand, unsecured and is to be settled in cash.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash on hand and at banks	10,563	11,396	179	935
Deposits pledged with licensed banks (Note 16)	9,728	5,136	9,728	5,136
Deposits with licensed financial institutions	21,710	15,693	6,181	1,503
Cash and bank balances	42,001	32,225	16,088	7,574

The weighted average interest rates of deposits at the balance sheet date were as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Licensed financial institutions	2.92	3.13	3.25	3.02

20. BORROWINGS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Short Term Borrowings				
Secured				
Term loan	70,221	7,432	60,955	-
Unsecured				
Revolving credit	10,000	-	-	-
	80,221	7,432	60,955	-
Long Term Borrowings				
Secured				
Term loans	170,979	200,011	165,419	185,147
Total Borrowings				
Secured				
Term loans	241,200	207,443	226,374	185,147
Unsecured				
Revolving credit	10,000	-	-	-
	251,200	207,443	226,374	185,147

Notes to the Financial Statements

31 December 2007

20. BORROWINGS (CONT'D)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Maturity of Borrowings				
Within one year	80,221	7,432	60,955	-
More than 1 year and less than 2 years	54,612	43,680	49,052	34,390
More than 2 years and less than 5 years	116,367	49,964	116,367	44,390
5 years or more	-	106,367	-	106,367
	251,200	207,443	226,374	185,147

The term loans are secured by the following:

- (a) a Singapore currency denominated loan, amounting to RM14.83 million, is secured by a deposit pledged with a licensed bank amounting to RM15.68 million (Note 16). It is also secured by a corporate guarantee of the Company and a subsidiary.
- (b) term loans granted to the Company are secured by certain listed shares in its associate and non listed shares in its subsidiary.

The weighted average effective interest rates per annum for borrowings during the financial year were as follows :

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Term loans	5.30	5.49	5.30	4.92
Revolving credit	4.73	-	4.73	-

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables	21,332	16,405	-	-
Other payables				
Amounts due to related parties :				
Ultimate holding company	14	-	12	-
Related companies	117	-	-	-
	131	-	12	-
Sundry payables	12,120	10,891	79	15
Accruals	11,969	19,229	3,057	9,620
Payroll liabilities	12,708	7,576	176	172
Duties and other taxes payable	4,221	2,837	-	-
	41,149	40,533	3,324	9,807
	62,481	56,938	3,324	9,807

Notes to the Financial Statements

31 December 2007

21. TRADE AND OTHER PAYABLES (CONT'D)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days.

(b) Amounts due to related parties

Amounts due to all related parties are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

22. DEFERRED TAX

	Group	
	2007 RM'000	2006 RM'000
At 1 January	6,646	6,662
Recognised in income statement (Note 9)	2,729	(17)
Recognised in equity	-	1
At 31 December	9,375	6,646

The components and movements of deferred tax liabilities during the financial year are as follows:

Deferred Tax Liabilities of the Group:

	Revaluation of Land and Buildings RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 January 2007	233	6,413	6,646
Recognised in income statement	(26)	2,755	2,729
At 31 December 2007	207	9,168	9,375
At 1 January 2006	232	6,430	6,662
Recognised in equity	1	-	1
Recognised in income statement	-	(17)	(17)
At 31 December 2006	233	6,413	6,646

23. SHARE CAPITAL

	Number of Ordinary Shares of RM1 each		Amount	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Authorised	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid				
At 1 January	244,253	239,288	244,253	239,288
Issued during the year				
- Conversion of warrants	1,218	4,965	1,218	4,965
At 31 December	245,471	244,253	245,471	244,253

Notes to the Financial Statements

31 December 2007

23. SHARE CAPITAL (CONT'D)

During the financial year, the Company increased its issued and paid-up share capital from RM244,252,839 to RM245,471,082 by way of the issuance of 1,218,243 new ordinary shares of RM1.00 each upon the conversion of 1,218,243 warrants at the exercise price of RM1.19 each. The share premium of RM231,466 arising from the issuance of the shares at the exercise price above the nominal value of RM1.00 each share has been credited to the share premium account.

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the existing ordinary shares of the Company.

Warrants 2004/2007

A total of 49,730,497 warrants were issued by the Company in conjunction with a restructuring scheme completed on 1 April 2004. Each warrant entitles the holder the right to subscribe for a new ordinary share of RM1.00 each in the Company at an exercise price of RM1.19 per new ordinary share. As at the year end, the number of outstanding warrants was NIL (2006: 1,547,163). The warrants had expired on 24 January 2007 and were removed from the Official List of Bursa Securities with effect from 25 January 2007. The number of lapsed warrants was 328,920.

Employee Share Option Scheme ("ESOS")

The ESOS had been approved by the Securities Commission and became effective on 8 July 2004. As at the date of this report, none of the ESOS options has been granted to any of the eligible directors or employees. The ESOS options will expire on 8 July 2009.

24. OTHER RESERVES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Asset revaluation reserve	588	599	-	-
Share premium	9,152	8,920	9,152	8,920
Exchange fluctuation reserve	69	(21)	-	-
	9,809	9,498	9,152	8,920

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

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

(a) Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(b) Share premium

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

Notes to the Financial Statements

31 December 2007

24. OTHER RESERVES (CONT'D)

(c) Exchange fluctuation reserve

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

25. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the balance under Section 108 of the Income Tax Act, 1967 ("108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Group did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Group may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2007, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM85,915,000 (2006: RM67,876,000) out of its retained earnings. If the balance of the retained earnings of RM25,848,000 (2006: RM41,738,000) were to be distributed as dividends, the Group may distribute such dividends under the single tier system.

26. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

31 December 2007

26. OPERATING LEASE ARRANGEMENTS (CONT'D)

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities is as follows:

	Group	
	2007 RM'000	2006 RM'000
Future minimum rentals payable:		
Not later than 1 year	31,794	29,739
Later than 1 year and not later than 5 years	38,101	32,287
Later than 5 years	716	1,075
	70,611	63,101

27. CAPITAL COMMITMENTS

	Group	
	2007 RM'000	2006 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	1,399	-
Approved but not contracted for:		
Property, plant and equipment	32,000	31,051
	33,399	31,051

28. CONTINGENT LIABILITIES

	Company	
	2007 RM'000	2006 RM'000
Unsecured		
Corporate guarantees in favour of various financial institutions in respect of credit facilities extended to certain subsidiaries	30,979	27,653

Notes to the Financial Statements

31 December 2007

29. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

Company	Relationship
KFC Holdings (Malaysia) Bhd (“KFCH”)	An associate of the Group.
Ayamas Food Corporation Sdn Bhd (“AFCSB”)	A subsidiary of KFCH.
KFC Manufacturing Sdn Bhd (“KFC Manufacturing”)	A subsidiary of KFCH.
KFC (Peninsular Malaysia) Sdn Bhd (“KFC PM”)	A subsidiary of KFCH.
Region Food Industries Sdn Bhd (“RFI”)	A subsidiary of KFCH.
Kentucky Fried Chicken Management Pte Ltd (“KFC MPL”)	A subsidiary of KFCH.
Signature Chef Foodservice & Catering Sdn Bhd (“SCFC”)	A subsidiary of KFCH.
Wangsa Progresi Sdn Bhd (“WP”)	A subsidiary of KFCH.
WP Properties Holdings Sdn Bhd (“WPPH”)	A subsidiary of KFCH.
SPM Restaurants Sdn Bhd (“SPM”)	A subsidiary of KFCH.
Kentucky Fried Chicken (Malaysia) Sdn Bhd (“KFC (M)”)	A subsidiary of KFCH.
WQSR Holdings (S) Pte Ltd (“WQSR”)	A subsidiary of KFCH.
Sarbjit & Co	A firm in which a former director of the Company has interest.
Yoong & Partners	A firm in which a former director of the Company has interest.
Damansara Assets Sdn Bhd	Subsidiary of ultimate holding company.
JKing Sdn Bhd	Subsidiary of ultimate holding company.
IPPJ Sdn Bhd	Subsidiary of ultimate holding company.
Johor Specialist Hospital Sdn Bhd (“JSH”)	Subsidiary of ultimate holding company.

Notes to the Financial Statements

31 December 2007

29. RELATED PARTY DISCLOSURES (CONT'D)

(a) Company

	Relationship
Hotel Selesa JB Sdn Bhd ("HSJB")	Subsidiary of ultimate holding company.
Damansara Specialist Hospital Sdn Bhd ("DSH")	Subsidiary of ultimate holding company.
Pro Corporate Management Services Sdn Bhd ("PCMS")	Subsidiary of ultimate holding company.
Puteri Hotels Sdn Bhd	Subsidiary of ultimate holding company.
Puteri Specialist Hospital Sdn Bhd ("PSH")	Subsidiary of ultimate holding company.
Seremban Specialist Hospital Sdn Bhd ("SSH")	Subsidiary of ultimate holding company.
TMR Urusharta (M) Sdn Bhd ("TMRU")	Subsidiary of ultimate holding company.
Teraju Fokus Sdn Bhd	An associate of ultimate holding company.
Skellerup Industries (M) Sdn Bhd ("SIM")	Subsidiary of immediate holding company.

Group	2007 RM'000	2006 RM'000
Purchase of goods from		
- AFCSB	20,552	17,427
- KFC Manufacturing	47,730	41,573
- KFC PM	1,388	1,309
- RFI	592	463
- SIM	11	-
- JKing Sdn Bhd	3	-
Allocation of expenses from KFCH	1,556	1,692
Allocation of expenses from KFC MPL	5,649	5,832
Rental of land and buildings to		
- SCFC	96	96
- WP	229	229
- WPPH	288	288
- SPM	108	108
- KFC (M)	120	74
- Damansara Assets Sdn Bhd	456	237
Rendering of services		
- HSJB	1	-
- JSH	3	-
- DSH	1	-
- PCMS	75	-
- PSH	40	-
- SSH	3	-
- TMRU	251	-

Notes to the Financial Statements

31 December 2007

29. RELATED PARTY DISCLOSURES (CONT'D)

(a) Group	2007 RM'000	2006 RM'000
Rendering of services		
- Teraju Fokus Sdn Bhd	23	-
- Puteri Hotels Sdn Bhd	2	-
- IPPJ Sdn Bhd	13	-
Secretarial fees to ultimate holding company	14	-
Interest income from WQSR	666	843
Legal and professional fees to		
- Sarbjit & Co	-	99
- Yoong & Partners	-	437
Purchase of motor vehicle from ultimate holding company	-	329
Rental income from KFC PM	73	-
Company		
Gross dividends from subsidiaries	40,000	39,686
Gross dividends from KFCH	6,757	802
Secretarial fees to ultimate holding company	12	-
Rendering of services		
- JSH	3	-
- PCMS	75	-
- PSH	38	-
- SSH	3	-
- Puteri Hotels Sdn Bhd	1	-
Legal and professional fees to		
- Sarbjit & Co	-	99
- Yoong & Partners	-	437
Purchase of motor vehicle from ultimate holding company	-	329

The directors are of the opinion that all sales and purchases have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Salaries, wages and bonuses	855	631	854	630
Contribution to defined contribution plans	89	96	89	96
	944	727	943	726

Included in the total key management personnel compensation was:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Executive directors' remuneration (Note 8)	560	516	559	515

Notes to the Financial Statements

31 December 2007

30. FINANCIAL INSTRUMENTS**(a) Financial Risk Management Objectives and Policies**

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

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long term interest-bearing assets as at 31 December 2007. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits, marketable securities or occasionally, in short term commercial papers.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. The Group also uses hedging instruments such as interest rate swaps to minimise its exposure to interest rate volatility.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes. As at the balance sheet date, the Group has entered into interest rate swaps with the following notional amounts and maturities:

	Notional Amounts	
	2007	2006
	RM'000	RM'000
Within 1 year	650	1,057
More than 1 year and less than 5 years	123	775
	773	1,832

The interest rate relating to the interest rate swaps at the balance sheet date has been fixed at 5.34% per annum until its maturity in May 2009.

(c) Foreign Currency Risk

The foreign exchange risk of the Group arises from borrowings denominated in foreign currencies. The Group has currency swaps that are primarily used to hedge the foreign currency exposures on the borrowings. The currency exposures are primarily US dollars and Singapore dollars.

The Group also has subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The currency exposure is primarily Singapore dollars.

Notes to the Financial Statements

31 December 2007

30. FINANCIAL INSTRUMENTS (CONT'D)

(d) 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.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

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.

(f) Fair Value

The carrying amounts of financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values except for the following:

	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
At 31 December 2007:				
Investments in subsidiaries	-	-	125,346	*
Investments in associate	521,521	593,770	180,403	228,458
At 31 December 2006:				
Investments in subsidiaries	-	-	125,346	*
Investments in associate	436,076	459,197	127,348	150,965
Financial Liabilities				
At 31 December 2007:				
Term loans	241,200	233,317	226,374	218,783
Revolving credit	10,000	10,000	-	-
At 31 December 2006:				
Term loans	207,443	200,942	185,147	179,049

* It is not practical to estimate the fair value of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

Notes to the Financial Statements

31 December 2007

30. FINANCIAL INSTRUMENTS (CONT'D)**(f) Fair Value (cont'd)**

It is not practical to estimate the fair value of advance due to subsidiaries and amount due from associate due principally to a lack of fixed repayment term entered by the parties involved and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents recoverable values.

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

(i) Borrowings

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements.

(ii) Investments in Associate

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

31. SEGMENT INFORMATION**(a) Business Segment**

There is no disclosure for segment information by industry as the Group operates in a single industry in the operation of pizza restaurants.

(b) Geographical Segments

The Group's geographical segments can be categorised under Malaysia and foreign. Foreign comprises Singapore only.

	← 2007 →			Consolidated RM'000
	Malaysia RM'000	Foreign RM'000	Unallocated Assets RM'000	
External sales	301,015	165,364	-	466,379
Assets:				
Segment assets	166,815	62,831	-	229,646
Investments in associate	-	-	521,521	521,521
Goodwill on consolidation	-	-	50,605	50,605
Total assets employed	166,815	62,831	572,126	801,772
Capital Expenditure	28,168	13,193	-	41,361

Notes to the Financial Statements

31 December 2007

31. SEGMENT INFORMATION (CONT'D)**(b) Geographical Segments (cont'd)**

	← 2006 →			Consolidated RM'000
	Malaysia RM'000	Foreign RM'000	Unallocated Assets RM'000	
External sales	267,892	160,651	-	428,543
Assets:				
Segment assets	155,683	57,147	-	212,830
Investments in associate	-	-	436,076	436,076
Goodwill on consolidation	-	-	50,605	50,605
Total assets employed	155,683	57,147	486,681	699,511
Capital Expenditure	26,846	9,850	-	36,696

32. SUBSEQUENT EVENTS

- (i) On 29 February 2008, the Company entered into a Joint Venture Agreement with Royal Group of Companies Ltd and Rightlink Corporation Limited Hong Kong to form a joint venture under a joint venture company, Kampuchea Food Corporation Limited ("KFCL"), to operate Kentucky Fried Chicken Restaurant business in Cambodia. The Company has a 55% shareholding in KFCL.
- (ii) On 14 September 2007, the Company proposed a Renounceable Rights Issue of 40,911,847 new ordinary shares of RM1 each together with 40,911,847 new free detachable warrants on the basis of one rights share together with one free warrant for every six existing ordinary shares held.

On 10 March 2008, the rights shares and warrants were listed and quoted on the Main Board of Bursa Securities.

33. COMPARATIVES

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