

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 2008.

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 15 and Note 16 to the financial statements respectively.

There have been no significant changes in the nature of the principal activities of its subsidiaries and associates during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	83,739	35,325
Attributable to:		
Equity holders of the Company	85,293	35,325
Minority interests	(1,554)	–
	83,739	35,325

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 2007 were as follows:

	RM'000
In respect of the financial year ended 31 December 2007 as reported in the directors' report of that year:	
Final dividend of 5 sen less 26% taxation per share, on 284,908,929 ordinary shares, declared on 8 April 2008 and paid on 28 May 2008	10,542
In respect of the financial year ended 31 December 2008:	
Interim dividend of 4 sen less 26% taxation per share, on 281,482,929 ordinary shares, declared on 20 August 2008 and paid on 8 October 2008	8,332

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2008, of 7 sen less 25% taxation per share on 281,382,929 ordinary shares (share capital of 286,382,929 ordinary shares less 5,000,000 treasury shares) amounting to a total dividend payable of RM14,773,000 (5.3 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 2009.

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	

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.

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 RM245,471,082 to RM286,382,929 by way of the issuance of 40,911,847 new ordinary shares of RM1.00 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 of RM1.00 each held at an issue price of RM2.50 per ordinary share. The share premium of RM61,368,000 arising from the issuance of the shares at the issue price above the nominal value of RM1.00 each share has been credited to the share premium account, net off rights issue expenses of RM1,097,000.

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

TREASURY SHARES

During the financial year, the Company repurchased 5,000,000 of its issued ordinary shares from the open market at an average price of RM2.23 per share. The total consideration paid for the repurchase including transaction costs was RM11,173,964. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2008, the Company held as treasury shares a total of 5,000,000 of its 286,382,929 issued ordinary shares. Such treasury shares are held at a carrying amount of RM11,173,964 and further relevant details are disclosed in Note 25(d) to the financial statements.

DIRECTORS' REPORT

WARRANTS

The main features of the warrants are disclosed in Note 24 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 EVENT

Details of a subsequent event are disclosed in Note 33 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 values 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.

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 13 March 2009.

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 95 to 141 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 2008 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 13 March 2009.

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 95 to 141 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 13 March 2009

MOHAMMAD BIN ALWI

Before me

Ahmad bin Laya (W259)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of QSR Brands Bhd

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of QSR Brands Bhd, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 95 to 141.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.
- c 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.
- d 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.

INDEPENDENT AUDITORS' REPORT

to the members of QSR Brands Bhd

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
13 March 2009

Lee Seng Huat
No. 2518/12/09 (J)
Chartered Accountant

INCOME STATEMENTS

For the year ended 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue	3	532,752	466,379	52,545	46,757
Cost of sales	4	(162,897)	(135,432)	–	–
Gross profit		369,855	330,947	52,545	46,757
Other income		26,318	23,850	736	905
Administrative expenses		(32,647)	(29,826)	(2,028)	(3,959)
Selling and marketing expenses		(313,094)	(276,055)	–	–
Other expenses		(439)	(1,313)	–	–
Operating profit		49,993	47,603	51,253	43,703
Finance costs	5	(9,378)	(13,907)	(8,441)	(12,862)
Share of profit of associate		57,124	46,490	–	–
Profit before tax	6	97,739	80,186	42,812	30,841
Income tax expense	9	(14,000)	(13,170)	(7,487)	(10,881)
Profit for the year		83,739	67,016	35,325	19,960
Attributable to:					
Equity holders of the Company		85,293	67,016		
Minority interests		(1,554)	–		
		83,739	67,016		
Earnings per share attributable to equity holders of the Company (sen):					
Basic, for profit for the year	10	30.88	27.31		

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

BALANCE SHEETS

As at 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	145,877	124,627	858	1,135
Prepaid land lease payments	13	1,334	–	–	–
Intangible assets	14	63,600	62,960	–	–
Investments in subsidiaries	15	–	–	128,011	125,346
Investments in associate	16	605,409	521,521	221,198	180,403
Fixed deposit	17	–	5,952	–	5,952
		816,220	715,060	350,067	312,836
Current assets					
Inventories	18	28,699	13,875	–	–
Trade and other receivables	19	29,861	30,836	288,600	267,052
Cash and bank balances	20	28,317	42,001	8,664	16,088
		86,877	86,712	297,264	283,140
Total assets		903,097	801,772	647,331	595,976
Equity and liabilities					
Equity attributable to equity holders of the company					
Share capital	24	286,383	245,471	286,383	245,471
Other reserves	25	59,408	9,809	58,249	9,152
Retained earnings	26	287,891	221,237	128,106	111,655
		633,682	476,517	472,738	366,278
Minority interests		627	–	–	–
Total equity		634,309	476,517	472,738	366,278
Non-current liabilities					
Borrowings	21	173,000	170,979	173,000	165,419
Deferred tax liabilities	23	9,915	9,375	–	–
		182,915	180,354	173,000	165,419
Current liabilities					
Borrowings	21	5,717	80,221	–	60,955
Trade and other payables	22	78,773	62,481	1,593	3,324
Current tax payable		1,383	2,199	–	–
		85,873	144,901	1,593	64,279
Total liabilities		268,788	325,255	174,593	229,698
Total equity and liabilities		903,097	801,772	647,331	595,976

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2008

Group	Note	Attributable to Equity Holders of the Company					Total equity RM'000
		Share capital (Note 24) RM'000	Share premium (Note 25) RM'000	Non-Distributable		Distributable	
				Exchange fluctuation reserve (Note 25) RM'000	Asset revaluation reserve (Note 25) RM'000	Retained earnings (Note 26) RM'000	
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

	Note	Attributable to Equity Holders of the Company							Minority interests RM'000	Total equity RM'000
		Share capital (Note 24) RM'000	Share premium (Note 25) RM'000	Non-Distributable		Treasury shares (Note 25) RM'000	Retained earnings (Note 26) RM'000	Total RM'000		
				Exchange fluctuation reserve (Note 25) RM'000	Asset revaluation reserve (Note 25) RM'000					
At 1 January 2008		245,471	9,152	69	588	-	221,237	476,517	-	476,517
Translation differences		-	-	675	-	-	-	675	-	675
Profit/(loss) for the year		-	-	-	-	-	85,293	85,293	(1,554)	83,739
Issuance of share capital										
- rights issue		40,912	61,368	-	-	-	-	102,280	-	102,280
- share issue cost		-	(1,097)	-	-	-	-	(1,097)	-	(1,097)
Treasury shares acquired		-	-	-	-	(11,174)	-	(11,174)	-	(11,174)
Transfer from revaluation reserve		-	-	-	(27)	-	27	-	-	-
Transfer to retained earnings										
upon disposal of property		-	-	-	(154)	-	208	54	-	54
Acquisition of a subsidiary		-	-	-	-	-	-	-	2,181	2,181
Reversal of deferred tax		-	-	-	8	-	-	8	-	8
Dividends	11	-	-	-	-	-	(18,874)	(18,874)	-	(18,874)
At 31 December 2008		286,383	69,423	744	415	(11,174)	287,891	633,682	627	634,309

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2008 (contd.)

Company	Note	Share capital (Note 24) RM'000	Non-Distributable			Treasury shares (Note 25) RM'000	Distributable Retained earnings (Note 26) RM'000	Total equity RM'000
			Share premium (Note 25) RM'000	Exchange fluctuation reserve (Note 25) RM'000	Asset revaluation reserve (Note 25) RM'000			
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
At 1 January 2008		245,471	9,152	-	-	-	111,655	366,278
Profit for the year		-	-	-	-	-	35,325	35,325
Issuance of share capital								
- rights issue		40,912	61,368	-	-	-	-	102,280
- share issue cost		-	(1,097)	-	-	-	-	(1,097)
Treasury shares acquired		-	-	-	-	(11,174)	-	(11,174)
Dividends	11	-	-	-	-	-	(18,874)	(18,874)
At 31 December 2008		286,383	69,423	-	-	(11,174)	128,106	472,738

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

CASH FLOW STATEMENTS

For the year ended 31 December 2008

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash flows from operating activities				
Profit before tax	97,739	80,186	42,812	30,841
Adjustments for:				
Amortisation of franchise fees	1,870	1,607	-	-
Franchise fees written off	-	194	-	-
Depreciation of property, plant and equipment	24,389	21,089	277	161
Amortisation of prepaid land lease payments	16	-	-	-
Interest expense	9,378	13,907	8,441	12,862
Loss on disposal of property, plant and equipment	439	1,302	-	-
Dividend income from				
- unquoted subsidiaries	-	-	(45,000)	(40,000)
- associate	-	-	(7,545)	(6,757)
Interest income	(1,496)	(2,123)	(736)	(905)
Share of profit of associate	(57,124)	(46,490)	-	-
Operating profit/(loss) before working capital changes	75,211	69,672	(1,751)	(3,798)
Inventories	(14,824)	1,196	-	-
Receivables	2,505	4,556	528	993
Subsidiaries	-	-	(20,321)	14,341
Payables	16,292	5,543	(1,731)	(6,483)
Cash generated from/(used in) operations	79,184	80,967	(23,275)	5,053
Interest paid	(9,378)	(13,907)	(8,441)	(12,862)
Taxes (paid)/refunded	(13,563)	(13,303)	-	670
Net cash generated from/(used in) operating activities	56,243	53,757	(31,716)	(7,139)
Cash flows from investing activities				
Purchase of property, plant and equipment	(46,774)	(41,361)	-	-
Prepayment of land lease	(1,350)	-	-	-
Purchase of additional shares in associate	(40,795)	(53,055)	(40,795)	(53,055)
Acquisition of subsidiary	-	-	(2,665)	-
Proceeds from disposal of property, plant and equipment	1,455	807	-	-
Franchise fees	(2,510)	(2,885)	-	-
Interest received	1,496	2,123	736	905
Exchange translation adjustments	675	90	-	-
Net dividends received from				
- unquoted subsidiaries	-	-	37,720	29,200
- associate	14,031	14,100	5,583	4,933
Net cash (used in)/generated from investing activities	(73,772)	(80,181)	579	(18,017)

CASH FLOW STATEMENTS

For the year ended 31 December 2008 (contd.)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash flows from financing activities				
Issuance of shares	102,280	1,450	102,280	1,450
Share issue cost	(1,097)	–	(1,097)	–
Purchase of treasury shares	(11,174)	–	(11,174)	–
Drawdown of bank borrowings	–	51,227	–	41,227
Repayment of term loan	(72,483)	(7,470)	(53,374)	–
Reduction in the restriction on deposit pledged with licensed bank	5,952	8,912	5,952	8,912
Payment of dividends	(18,874)	(17,919)	(18,874)	(17,919)
Net cash generated from financing activities	4,604	36,200	23,713	33,670
Net change in cash and cash equivalents	(12,925)	9,776	(7,424)	8,514
Effects of foreign exchange rate changes	(759)	–	–	–
Cash and cash equivalents at beginning of year	42,001	32,225	16,088	7,574
Cash and cash equivalents at end of year (note 20)	28,317	42,001	8,664	16,088

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

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. There have been no significant changes in the nature of the principal activities of its subsidiaries and associates during the financial year as disclosed in Note 15 and Note 16.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 March 2009.

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 ("FRS") 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

2.2 Summary of significant accounting policies (contd.)

a Subsidiaries and basis of consolidation (contd.)

ii Basis of consolidation (contd.)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

2.2 Summary of significant accounting policies (contd.)

c Intangible assets (contd.)

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.

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 initial 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 2008

2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

2.2 Summary of significant accounting policies (contd.)

d Property, plant and equipment and depreciation (contd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

2.2 Summary of significant accounting policies (contd.)

e Impairment of non-financial assets (contd.)

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. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

2.2 Summary of significant accounting policies (contd.)

g Financial instruments (contd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

2.2 Summary of significant accounting policies (contd.)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

2.2 Summary of significant accounting policies (contd.)

i Employee benefits (contd.)

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.

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, regardless of the currency of the monetary items, 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

2.2 Summary of significant accounting policies (contd.)

m Foreign currencies (contd.)

iii Foreign operations (contd.)

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.

The principal exchange rates used for every unit of foreign currency are as follows:

	Year end rates		Average rates	
	2008 RM	2007 RM	2008 RM	2007 RM
Singapore (S\$)	2.3820	2.3165	2.3376	2.2805
US Dollar (USD)	3.4430	–	3.3791	–

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 2008

2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs and IC Interpretations

a Adoption of new and revised FRSs and IC Interpretations

On 1 January 2008, the Group and the Company adopted the following revised FRSs, amendment to FRS and Interpretations:

FRS 107: Cash Flow Statements

FRS 111: Construction Contracts

FRS 112: Income Taxes

FRS 118: Revenue

FRS 120: Accounting for Government Grants and Disclosure of Government Assistance

FRS 134: Interim Financial Reporting

FRS 137: Provisions, Contingent Liabilities and Contingent Assets

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

IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities

IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments

IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

IC Interpretation 7: Applying the Restatement Approach under FRS 129₂₀₀₄ - Financial Reporting in Hyperinflationary Economies

IC Interpretation 8: Scope of FRS 2

The revised FRSs, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Group and of the Company.

b Standard in issue but not yet effective

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

FRSs and interpretations	Effective for financial periods beginning on or after
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010

The new FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

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

2.4 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

2.4 Significant accounting estimates and judgements (contd.)

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 14 to the financial statements.

3 REVENUE

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Sales of goods	532,752	466,379	–	–
Gross dividends from subsidiaries	–	–	45,000	40,000
Gross dividends from associate	–	–	7,545	6,757
	532,752	466,379	52,545	46,757

Revenue for the Group represents cash and invoiced amount for sales of goods 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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest payable				
- term loans and others	9,378	13,907	8,441	12,862

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

6 PROFIT BEFORE TAX

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Employee benefits expense (Note 7)	119,479	105,545	40	1,020
Non-Executive Directors' remuneration (Note 8)	430	367	368	367
Auditors' remuneration				
- statutory audits	211	168	25	25
- other services	70	79	9	17
Amortisation of franchise fees	1,870	1,607	-	-
Franchise fees written off	-	194	-	-
Depreciation of property, plant and equipment (Note 12)	24,389	21,089	277	161
Amortisation of prepaid land lease payments (Note 13)	16	-	-	-
Rental of land and buildings				
- related parties	1,158	1,297	-	-
- others	49,410	45,258	-	-
Loss on disposal of property, plant and equipment	439	1,302	-	-
Rental income				
- associate	(24)	(73)	-	-
Interest receivable				
- deposits with financial institutions	(1,028)	(1,457)	(695)	(905)
- subsidiary	-	-	(41)	-
- associate	(468)	(666)	-	-

7 EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fees	58	-	40	-
Wages and salaries	80,431	70,947	-	726
Social security contribution	815	686	-	1
Contributions to defined contribution plan	10,515	9,764	-	89
Other benefits	27,660	24,148	-	204
	119,479	105,545	40	1,020

Included in employee benefits expense of the Group and of the Company were executive directors' remuneration amounted to RM59,000 (2007: RM560,000) and RM40,000 (2007: RM559,000) respectively as further disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

8 DIRECTORS' REMUNERATION

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Executive directors' remuneration (Note 7):				
Fees	58	1	40	–
Other emoluments	1	559	–	559
	59	560	40	559
Non-executive directors' remuneration (Note 6):				
Fees	358	273	300	273
Other emoluments	72	94	68	94
	430	367	368	367
Total directors' remuneration	489	927	408	926
Estimated monetary value of benefits-in-kind	–	68	–	68
Total directors' remuneration including benefits-in-kind	489	995	408	994

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Executive:				
Salaries and other emoluments	1	511	–	511
Fees	58	1	40	–
Defined contribution plan	–	48	–	48
Estimated monetary value of benefits-in-kind	–	68	–	68
	59	628	40	627
Non-executive:				
Fees	358	273	300	273
Other emoluments	72	94	68	94
	430	367	368	367

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

	Number of Directors	
	2008	2007
Executive directors:		
RM50,001 - RM100,000	1	–
RM200,001 - RM250,000	–	1
RM350,001 - RM400,000	–	1
Non-executive directors:		
Below RM50,000	1	3
RM50,001 - RM100,000	4	4
RM100,001 - RM150,000	1	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

9 INCOME TAX EXPENSE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current income tax:				
Malaysian income tax	11,915	7,387	7,580	9,002
Foreign tax	1,228	2,037	-	-
	13,143	9,424	7,580	9,002
Under/(over)provision in prior years:				
Malaysian income tax	253	1,772	(93)	1,879
Foreign tax	2	(755)	-	-
	13,398	10,441	7,487	10,881
Deferred tax (Note 23):				
Relating to origination and reversal of temporary differences	602	2,192	-	-
Relating to changes in tax rates	(214)	(209)	-	-
Underprovision in prior years	214	746	-	-
	602	2,729	-	-
Total income tax expense	14,000	13,170	7,487	10,881

Domestic income tax was calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

Certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualify for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income	:	20%
In excess of RM500,000 of chargeable income	:	Malaysian corporate statutory tax rate

Taxation for other jurisdictions was calculated at the rates prevailing in the respective jurisdictions. The corporate income tax rate currently applicable to subsidiaries in Singapore is 18% and will be reduced to 17% for the year of assessment 2010 onwards. The corporate income tax rate applicable to subsidiary in Cambodia is either at the rate of 20% of taxable profit or minimum tax at 1% of gross revenue, whichever is higher.

NOTES TO THE FINANCIAL STATEMENTS

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9 INCOME TAX EXPENSE (contd.)

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:

Group	2008 RM'000	2007 RM'000
Profit before tax	97,739	80,186
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	25,412	21,650
Effect of income subject to tax rate of 20%	(685)	(35)
Different tax rate in other country	(976)	(1,130)
Effect of changes in tax rates on opening balance of deferred tax	(214)	(209)
Deferred tax recognised at different tax rate	(63)	(69)
Expenses not deductible for tax purposes	4,909	3,752
Underprovision of deferred tax in prior years	214	746
Underprovision of tax expense in prior years	255	1,017
Effect of share of profit of associate	(14,852)	(12,552)
Income tax expense for the year	14,000	13,170
Company		
Profit before tax	42,812	30,841
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	11,131	8,327
Expenses not deductible for tax purposes	869	675
Income not subject to tax	(4,420)	-
(Over)/underprovision of tax expense in prior years	(93)	1,879
Income tax expense for the year	7,487	10,881
Tax savings during the financial year arising from:		
	Group	
	2008	2007
	RM'000	RM'000
Utilisation of current year capital allowances	15,101	16,868

NOTES TO THE FINANCIAL STATEMENTS

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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.

	Group	
	2008	2007
Profit attributable to ordinary equity holders of the company (RM'000)	85,293	67,016
Weighted average number of ordinary shares in issue ('000)	276,228	245,405
Basic earnings per share (sen)	30.88	27.31

b Diluted

The diluted earning per share in respect of warrants is not presented as it is anti-dilutive.

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.

11 DIVIDENDS

	Dividends in respect of Year			Dividends recognised in Year	
	2008	2007	2006	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Recognised during the year					
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
Final dividend for 2007:					
5 sen less 26% taxation on 284,908,929 ordinary shares (3.7 sen per ordinary share)	-	10,542	-	10,542	-
Interim dividend for 2008:					
4 sen less 26% taxation on 281,482,929 ordinary shares (3.0 sen per ordinary share)	8,332	-	-	8,332	-
Proposed for approval at AGM (not recognised as at 31 December)					
Final dividend for 2008:					
7 sen less 25% taxation on 281,382,929 ordinary shares (5.3 sen per ordinary share)	14,773	-	-	-	-
	23,105	17,709	10,752	18,874	17,919

NOTES TO THE FINANCIAL STATEMENTS

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11 DIVIDENDS (contd.)

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2008, of 7 sen less 25% taxation per share on 281,382,929 ordinary shares (share capital of 286,382,929 ordinary shares less 5,000,000 treasury shares) amounting to a dividend payable of RM14,773,000 (5.3 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 2009.

12 PROPERTY, PLANT AND EQUIPMENT

Group	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 2008						
Cost or valuation						
At 1 January 2008						
At cost	–	–	70,633	6,766	138,896	216,295
At valuation	408	3,820	–	–	–	4,228
	408	3,820	70,633	6,766	138,896	220,523
Exchange differences	–	–	743	4	686	1,433
Additions	–	650	19,998	1,987	24,139	46,774
Disposals/write off	–	(845)	(12,304)	(442)	(10,759)	(24,350)
At 31 December 2008	408	3,625	79,070	8,315	152,962	244,380
Representing:						
At cost	–	650	79,070	8,315	152,962	240,997
At valuation	408	2,975	–	–	–	3,383
At 31 December 2008	408	3,625	79,070	8,315	152,962	244,380
Accumulated depreciation and impairment						
At 1 January 2008						
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
Exchange differences	–	–	348	3	323	674
Depreciation charge for the year	–	79	8,550	1,191	14,569	24,389
Disposals/write off	–	(56)	(11,678)	(415)	(10,307)	(22,456)
At 31 December 2008	–	354	31,650	4,297	62,202	98,503
Analysed as:						
Accumulated depreciation	–	246	31,650	4,297	62,202	98,395
Accumulated impairment losses	–	108	–	–	–	108
	–	354	31,650	4,297	62,202	98,503
Net carrying amount						
At cost	–	641	47,420	4,018	90,760	142,839
At valuation	408	2,630	–	–	–	3,038
At 31 December 2008	408	3,271	47,420	4,018	90,760	145,877

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12 PROPERTY, PLANT AND EQUIPMENT (contd.)

Group (contd.)	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						
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
Accumulated depreciation and impairment						
At 1 January 2007						
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
Depreciation charge for the year	–	82	7,041	863	13,103	21,089
Disposals/write off	–	–	(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 2008

12 PROPERTY, PLANT AND EQUIPMENT (contd.)

Company	Motor vehicles RM'000	Total RM'000
At 31 December 2008		
Cost		
At 1 January 2008/31 December 2008	1,383	1,383
Accumulated depreciation		
At 1 January 2008	248	248
Depreciation charge for the year	277	277
At 31 December 2008	525	525
Net carrying amount		
At 31 December 2008	858	858
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

- 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 2008 would be as follows:

Group	Cost RM'000	Accumulated depreciation RM'000	Net carrying amount RM'000
At 31 December 2008			
Freehold land	408	–	408
Buildings	2,636	459	2,177
	3,044	459	2,585
At 31 December 2007			
Freehold land	408	–	408
Buildings	3,260	495	2,765
	3,668	495	3,173

b Title Deeds

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

NOTES TO THE FINANCIAL STATEMENTS

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13 PREPAID LAND LEASE PAYMENTS

	Group	
	2008 RM'000	2007 RM'000
At 1 January	–	–
Additions	1,350	–
Amortisation for the year (Note 6)	(16)	–
At 31 December	1,334	–
Analysed as:		
Long term leasehold land	1,334	–

14 INTANGIBLE ASSETS

Group	Goodwill on consolidation RM'000	Franchise fees RM'000	Total RM'000
Cost			
At 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
At 1 January 2008	50,605	17,165	67,770
Additions	–	2,510	2,510
At 31 December 2008	50,605	19,675	70,280
Accumulated amortisation			
At 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
At 1 January 2008	–	4,810	4,810
Amortisation for the year	–	1,870	1,870
At 31 December 2008	–	6,680	6,680
Net carrying amount			
At 31 December 2007	50,605	12,355	62,960
At 31 December 2008	50,605	12,995	63,600

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

14 INTANGIBLE ASSETS (contd.)

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 2008 was RM50,604,934 (2007: 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 4% (2007: 5%) which is in line with the estimated GDP growth rate for the country.

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 26% for current year, 25% for year 2009 onwards 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.

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	RM'000	RM'000
Unquoted shares at cost	128,011	125,346

NOTES TO THE FINANCIAL STATEMENTS

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15 INVESTMENTS IN SUBSIDIARIES (contd.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Percentage of effective equity held		Activity
		2008 %	2007 %	
Held by the company:				
Pizza Hut Holdings (Malaysia) Sdn Bhd	Malaysia	100	100	(a)
QSR Ventures Sdn Bhd	Malaysia	100	100	(a)
Kampuchea Food Corporation Co Limited #	Cambodia	55	–	(c)
SBC Coffee Holdings Sdn Bhd	Malaysia	100	–	Dormant
Signature Chef Holdings Sdn Bhd	Malaysia	100	–	Dormant
Sterling Distinction Sdn Bhd	Malaysia	100	–	Dormant
Donut Empire (Malaysia) Holdings Sdn Bhd (formerly known as PH Properties Sdn Bhd)	Malaysia	100	100	Dormant
Held through subsidiaries:				
Pizza Hut Restaurants Sdn Bhd	Malaysia	100	100	(b)
PH Property Holdings Sdn Bhd	Malaysia	100	100	Dormant
Multibrand QSR Holdings Pte Ltd *	Singapore	100	100	(a)
Pizza Hut Singapore Pte Ltd *	Singapore	100	100	(b)

* Audited by affiliate of Ernst & Young

Audited by firms other than Ernst & Young

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

- a investment holding,
- b pizza restaurants; and
- c KFC restaurants.

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15 INVESTMENTS IN SUBSIDIARIES (contd.)

Acquisition of subsidiaries

i Kampuchea Food Corporation Co Limited

On 29 February 2008, the Company entered into a Joint Venture Agreement with Royal Group of Companies Ltd, Cambodia and Rightlink Corporation Limited, Hong Kong to form a joint venture under a joint venture company, Kampuchea Food Corporation Co Limited ("KFCL"), to operate KFC Restaurant business in Cambodia.

The Company acquired 55% of the issued and paid-up share capital of USD1.5 million in KFCL for a cash consideration of RM2,665,575.

ii Dormant companies

The Company acquired the following subsidiaries from KFC Holdings (Malaysia) Bhd Group which are currently dormant at nominal consideration:

- i Signature Chef Holdings Sdn Bhd for cash consideration of RM3.00
- ii Sterling Distinction Sdn Bhd for cash consideration of RM2.00
- iii SBC Coffee Holdings Sdn Bhd for cash consideration of RM2.00

16 INVESTMENTS IN ASSOCIATE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Quoted shares in Malaysia, at cost	512,198	471,403	221,198	180,403
Share of post-acquisition reserves	93,211	50,118	-	-
	605,409	521,521	221,198	180,403
Market value of quoted shares	735,810	593,770	310,564	228,458

Details of the associate and its subsidiaries are as follows:

Name	Country of incorporation	Percentage of effective equity held		Activity
		2008 %	2007 %	
Held by the group and the company:				
KFC Holdings (Malaysia) Bhd ^	Malaysia	49.81	46.79	(e)
Held by the associate:				
Ayamas Food Corporation Sdn Bhd	Malaysia	49.81	46.79	(biv) & (e)

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16 INVESTMENTS IN ASSOCIATE (contd.)

Name	Country of incorporation	Percentage of effective equity held		Activity
		2008 %	2007 %	
Held by the associate: (contd.)				
Ayamas Integrated Poultry Industry Sdn Bhd	Malaysia	49.81	46.79	(bi), (bij), (biii) & (e)
Bakers' Street Sdn Bhd	Malaysia	49.81	46.79	(a)
Integrated Poultry Industry Sdn Bhd	Malaysia	49.81	46.79	(biv)
KFC Manufacturing Sdn Bhd	Malaysia	49.81	46.79	(ci), (civ) & (e)
KFC Restaurants Holdings Sdn Bhd	Malaysia	49.81	46.79	(e)
Region Food Industries Sdn Bhd	Malaysia	49.81	46.79	(ciii)
Restoran Keluarga Sdn Bhd	Malaysia	49.81	46.79	(a)
Roaster's Chicken Sdn Bhd	Malaysia	49.81	46.79	(e)
Signature Chef Dining Services Sdn Bhd	Malaysia	49.81	46.79	(a)
Signature Chef Foodservice & Catering Sdn Bhd	Malaysia	49.81	46.79	(a)
WP Properties Holdings Sdn Bhd	Malaysia	49.81	46.79	(e)
Tepak Marketing Sdn Bhd	Malaysia	27.40	–	(cv)
Hiei Food Industries Sdn Bhd	Malaysia	40.35	37.90	Dormant
KFC Events Sdn Bhd (formerly known as KFC Agrotech Sdn Bhd)	Malaysia	49.81	46.79	Dormant
Rangeview Sdn Bhd	Malaysia	49.81	46.79	Dormant
Held through associate's subsidiaries:				
Kedai Ayamas Sdn Bhd	Malaysia	49.81	46.79	(bv) & (e)
Kentucky Fried Chicken (Malaysia) Sendirian Berhad	Malaysia	49.81	46.79	(a)
KFC (East Malaysia) Sdn Bhd	Malaysia	49.81	46.79	(e)
KFC (Peninsular Malaysia) Sdn Bhd	Malaysia	49.81	46.79	(a), (cii) & (e)

NOTES TO THE FINANCIAL STATEMENTS

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16 INVESTMENTS IN ASSOCIATE (contd.)

Name	Country of incorporation	Percentage of effective equity held		Activity
		2008 %	2007 %	
Held through associate's subsidiaries: (contd.)				
KFC (Sabah) Sdn Bhd *	Malaysia	44.83	42.11	(a)
KFC (Sarawak) Sdn Bhd *	Malaysia	49.81	46.79	(a)
Ladang Ternakan Putihekar (N.S.) Sdn Bhd	Malaysia	49.81	46.79	(bi)
KFC Marketing Sdn Bhd (formerly known as Farm's Choice Marketing (M) Sdn Bhd)	Malaysia	49.81	46.79	(bvi)
MH Integrated Farm Berhad	Malaysia	49.81	46.79	(d)
Pintas Tiara Sdn Bhd	Malaysia	49.81	46.79	(d)
Rasamas Holdings Sdn Bhd (formerly known as Rasa Ayammas Sdn Bhd)	Malaysia	49.81	46.79	(a)
Rasamas Bangi Sdn Bhd	Malaysia	49.81	46.79	(a)
Rasamas Batu Caves Sdn Bhd (formerly known as Rayaplex Sdn Bhd)	Malaysia	49.81	46.79	(a)
Rasamas Larkin Sdn Bhd	Malaysia	49.81	46.79	(a)
Rasamas Tebrau Sdn Bhd	Malaysia	49.81	46.79	(a)
Rasamas Taman Universiti Sdn Bhd (formerly known as Supreme Majestic Sdn Bhd)	Malaysia	49.81	46.79	(a)
Restoran Sabang Sdn Bhd	Malaysia	49.81	46.79	(a)
Seattle's Best Coffee Sdn Bhd	Malaysia	49.81	46.79	(a)
SPM Restaurants Sdn Bhd	Malaysia	49.81	46.79	(a) & (d)
Kentucky Fried Chicken Management Pte Ltd *	Singapore	49.81	46.79	(a)
WQSR Holdings (S) Pte Ltd *	Singapore	49.81	46.79	(e)
KFC (B) Sdn Bhd *	Brunei Darussalam	22.86	21.48	(a)
Rasamas Sdn Bhd *	Brunei Darussalam	22.86	–	(a)

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31 December 2008

16 INVESTMENTS IN ASSOCIATE (contd.)

Name	Country of incorporation	Percentage of effective equity held		Activity
		2008 %	2007 %	
Held through associate's subsidiaries: (contd.)				
Ayamas Selatan Sdn Bhd (formerly known as AFCB Properties Sdn Bhd)	Malaysia	49.81	46.79	Dormant
Asbury's (Malaysia) Sdn Bhd	Malaysia	49.81	46.79	Dormant
Ayamas Marketing (M) Sdn Bhd	Malaysia	49.81	46.79	Dormant
Ayamas Contract Farming Sdn Bhd	Malaysia	49.81	46.79	Dormant
Ayamas Farms & Hatchery Sdn Bhd	Malaysia	49.81	46.79	Dormant
Ayamas Feedmill Sdn Bhd	Malaysia	49.81	46.79	Dormant
Ayamas Franchise Sdn Bhd	Malaysia	49.81	46.79	Dormant
Chippendales (M) Sdn Bhd	Malaysia	49.81	46.79	Dormant
Rasa Gourmet Sdn Bhd	Malaysia	49.81	46.79	Dormant
Semangat Juara Sdn Bhd	Malaysia	49.81	–	Dormant
Wangsa Progresi Sdn Bhd	Malaysia	49.81	46.79	Dormant
Yes Gelato Sdn Bhd	Malaysia	39.85	37.43	Dormant
Ayamas Food Corporation (S) Pte Ltd *	Singapore	49.81	46.79	Dormant
Helix Investments Limited *	Hong Kong	49.81	46.79	Dormant

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

- a restaurants
- b integrated poultry
 - i breeder and broiler farms
 - ii hatchery
 - iii feedmill
 - iv poultry processing and further processing plants
 - v poultry retail and convenience food store chain
 - vi sales and marketing of food products

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

16 INVESTMENTS IN ASSOCIATE (contd.)

- c ancillary
 - i bakery
 - ii commissary
 - iii sauce manufacturing plant
 - iv trading in consumables
 - v contract packing
- 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:

	2008 RM'000	2007 RM'000
Assets and liabilities		
Current assets	404,774	331,642
Non-current assets	749,633	674,486
Total assets	1,154,407	1,006,128
Current liabilities	351,158	257,486
Non-current liabilities	100,859	139,701
Total liabilities	452,017	397,187
Results		
Revenue	2,179,788	1,730,371
Profit for the year	120,350	105,543

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

	Goodwill	
	2008 RM'000	2007 RM'000
Cost		
At 1 January	20,741	19,012
Arising from investments in associate	1,656	1,729
At 31 December	22,397	20,741
Accumulated impairment losses		
At 1 January	733	672
Arising from investments in associate	47	61
At 31 December	780	733
Net carrying amount		
At 31 December	21,617	20,008

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31 December 2008

17 FIXED DEPOSITS

An amount of RM3.45million is deposited with a licensed bank as collateral for a term loan facility granted to a subsidiary (Note 21).

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 2008, the tenure of the deposit is as follow:

	Group/Company	
	2008 RM'000	2007 RM'000
Current (Note 20)	3,451	9,728
Non-current	–	5,952
	3,451	15,680

18 INVENTORIES

	Group	
	2008 RM'000	2007 RM'000
At cost		
Trading stocks	28,378	13,584
Spare parts	321	291
	28,699	13,875

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade receivables				
Third parties	1,498	1,693	–	–
Less: Allowance for doubtful debts	(1,052)	(1,052)	–	–
Trade receivables, net	446	641	–	–
Other receivables				
Amount due from related parties:				
Amount due from subsidiaries	–	–	282,574	262,253
Amount due from associate	–	2,559	–	–
	–	2,559	282,574	262,253
Sundry receivables	1,381	1,812	33	561
Prepayments	5,626	4,665	–	–
Deposits	15,290	13,390	–	–
Tax recoverable	7,118	7,769	5,993	4,238
	29,415	30,195	288,600	267,052
	29,861	30,836	288,600	267,052

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

19 TRADE AND OTHER RECEIVABLES (contd.)

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 receivables are non-interest bearing and the normal trade credit term granted to the Group is 30 days.

b Amounts due from related parties

The amount due from subsidiaries are unsecured, interest free and repayable on demand, except an amount due from a foreign subsidiary bear interest at 5.20% (2007: Nil) per annum, unsecured and repayable on demand.

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

20 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash in hand and at banks	13,746	10,563	357	179
Deposits pledged with licensed banks (Note 17)	3,451	9,728	3,451	9,728
Deposits with licensed financial institutions	11,120	21,710	4,856	6,181
Cash and bank balances	28,317	42,001	8,664	16,088

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

	Group		Company	
	2008 %	2007 %	2008 %	2007 %
Licensed financial institutions	2.86	2.92	3.01	3.25

Deposits of the Group and of the Company have an average maturity days of 7 to 30 days (2007: 7 to 30 days).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

21 BORROWINGS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Short Term Borrowings				
Secured				
Term loan	5,717	70,221	-	60,955
Unsecured				
Revolving credit	-	10,000	-	-
	5,717	80,221	-	60,955
Long Term Borrowings				
Secured				
Term loans	173,000	170,979	173,000	165,419
Total Borrowings				
Secured				
Term loans	178,717	241,200	173,000	226,374
Unsecured				
Revolving credit	-	10,000	-	-
	178,717	251,200	173,000	226,374
Maturity of Borrowings				
Within one year	5,717	80,221	-	60,955
More than 1 year and less than 2 years	4,325	54,612	4,325	49,052
More than 2 years and less than 5 years	21,625	116,367	21,625	116,367
5 years or more	147,050	-	147,050	-
	178,717	251,200	173,000	226,374

The term loans are secured by the following:

- a a Singapore currency denominated loan, amounting to RM5.72 million, is secured by a deposit pledged with a licensed bank amounting to RM3.45 million (Note 17). 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	
	2008 %	2007 %	2008 %	2007 %
Term loans	4.53	5.30	4.50	5.30
Revolving credit	-	4.73	-	4.73

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables	26,262	21,332	–	–
Other payables				
Amounts due to related parties:				
Ultimate holding company	–	14	–	12
Related companies	–	117	–	–
Associate	8,440	–	–	–
	8,440	131	–	12
Sundry payables	14,566	12,120	–	79
Accruals	12,102	11,969	1,584	3,057
Payroll liabilities	13,419	12,708	9	176
Duties and other taxes payable	3,984	4,221	–	–
	52,511	41,149	1,593	3,324
	78,773	62,481	1,593	3,324

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.

23 DEFERRED TAX LIABILITIES

	Group	
	2008 RM'000	2007 RM'000
At 1 January	9,375	6,646
Recognised in income statement (Note 9)	602	2,729
Recognised in equity	(62)	–
At 31 December	9,915	9,375

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

23 DEFERRED TAX LIABILITIES (contd.)

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 2008	207	9,168	9,375
Recognised in income statement	–	602	602
Recognised in equity	(62)	–	(62)
At 31 December 2008	145	9,770	9,915
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

24 SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 RM'000
Authorised	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid				
At 1 January	245,471	244,253	245,471	244,253
Issued during the year				
- rights shares	40,912	–	40,912	–
- Conversion of warrants	–	1,218	–	1,218
At 31 December	286,383	245,471	286,383	245,471

During the financial year, the Company increased its issued and paid-up share capital from RM245,471,082 to RM286,382,929 by way of the issuance of 40,911,847 new ordinary shares of RM1.00 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 of RM1.00 each held at an issue price of RM2.50 per ordinary share. The share premium of RM61,368,000 arising from the issuance of the shares at the issue price above the nominal value of RM1.00 each share has been credited to the share premium account, net off rights issue expenses of RM1,097,000.

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

Warrants 2008/2013

A total of 40,911,847 warrants were issued by the Company in conjunction with the issuance of rights issue on 6 March 2008. 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 RM3.01 per new ordinary share. As at the year end, the number of outstanding warrants was 40,911,847 (2007: Nil). The warrants will expire on 5 March 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

24 SHARE CAPITAL (contd.)

Employee share options 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.

25 OTHER RESERVES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Asset revaluation reserve	415	588	–	–
Share premium	69,423	9,152	69,423	9,152
Exchange fluctuation reserve	744	69	–	–
Treasury shares	(11,174)	–	(11,174)	–
	59,408	9,809	58,249	9,152

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.

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, regardless of the currency of the monetary items.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

25 OTHER RESERVES (contd.)

d Treasury shares

This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by a special resolution passed in a general meeting held on 30 April 2008 approved the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 5,000,000 of its issued ordinary shares from the open market at an average price of RM2.23 per share. The total consideration paid for the repurchase was RM11,173,964. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 286,382,929 (2007: 245,471,082) issued and fully paid ordinary shares as at 31 December 2008, 5,000,000 (2007: Nil) are held as treasury shares by the Company. As at 31 December 2008, the number of outstanding ordinary shares in issue net off the treasury shares is therefore 281,382,929 (2007: 245,471,082) ordinary shares of RM1.00 each.

26 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 2008 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2008, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM64,292,000 (2007: RM79,869,000) out of its retained earnings. If the balance of the retained earnings of RM63,814,000 (2007: RM31,786,000) were to be distributed as dividends, the Group may distribute such dividends under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS

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27 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.

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	
	2008	2007
	RM'000	RM'000
Future minimum rental payable:		
Not later than 1 year	31,574	31,794
Later than 1 year and not later than 5 years	37,441	38,101
Later than 5 years	358	716
	69,373	70,611

28 CAPITAL COMMITMENTS

	Group	
	2008	2007
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	870	1,399
Approved but not contracted for:		
Property, plant and equipment	49,644	32,000
	50,514	33,399

29 CONTINGENT LIABILITIES

	Company	
	2008	2007
	RM'000	RM'000
Unsecured		
Corporate guarantees in favour of various financial institutions in respect of credit facilities extended to certain subsidiaries	12,231	30,979

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

30 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
KFC Marketing Sdn Bhd (“KFC Mktg”)	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
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
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
Rajaudang Trading Sdn Bhd (“Rajaudang”)	Subsidiary of ultimate holding company
Seremban Specialist Hospital Sdn Bhd (“SSH”)	Subsidiary of ultimate holding company
The World of Secret Garden Sdn Bhd (“WSG”)	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
Pro Office Solutions Sdn Bhd (“Pro Office”)	Subsidiary of immediate holding company

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

30 RELATED PARTY DISCLOSURES (contd.)

	2008 RM'000	2007 RM'000
a Group		
Purchase of goods from		
- AFCSB	13,557	20,552
- KFC Manufacturing	54,540	47,730
- KFC PM	1,455	1,388
- KFC Mktg	13,681	-
- RFI	580	592
- SIM	15	11
- WSG	1	-
- JKing Sdn Bhd	-	3
- Rajaudang	35	-
Allocation of expenses from KFCH	2,716	1,556
Allocation of expenses from KFC MPL	5,779	5,649
Rental of land and buildings to		
- SCFC	32	96
- WP	76	229
- WPPH	96	288
- SPM	127	108
- KFC (M)	119	120
- KFC PM	345	-
- Damansara Assets Sdn Bhd	362	456
Rendering of services		
- HSJB	24	1
- JSH	-	3
- DSH	-	1
- PCMS	139	75
- PSH	-	40
- SSH	-	3
- TMRU	-	251
- Teraju Fokus Sdn Bhd	27	23
- Puteri Hotels Sdn Bhd	-	2
- IPPJ Sdn Bhd	-	13
- Pro Office	176	-
Secretarial fees to ultimate holding company	8	14
Interest income from WQSR	468	666
Rental income from KFC PM	24	73
Purchase of property from SCFC	2,000	-
Sale of property to KFC PM	845	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

30 RELATED PARTY DISCLOSURES (contd.)

	2008 RM'000	2007 RM'000
a Company		
Gross dividends from subsidiaries	45,000	40,000
Gross dividends from KFCH	7,545	6,757
Secretarial fees to ultimate holding company	8	12
Rendering of services		
- JSH	-	3
- PCMS	139	75
- PSH	-	38
- SSH	-	3
- Puteri Hotels Sdn Bhd	-	1

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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fees	59	-	40	-
Salaries, wages and bonuses	-	855	-	854
Contribution to defined contribution plans	-	89	-	89
	59	944	40	943

Included in the total key management personnel compensation was:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Executive directors' remuneration (Note 8)	59	560	40	559

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

31 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 2008. 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	
	2008	2007
	RM'000	RM'000
Within 1 year	5,717	9,266
More than 1 year and less than 5 years	-	5,560
	5,717	14,826

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 are primarily US dollars and Singapore dollars.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

31 FINANCIAL INSTRUMENTS (contd.)

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 of the Company at the balance sheet date approximate 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 2008:				
Investments in subsidiaries	–	–	128,011	–
Investments in associate	605,409	735,810	221,198	310,564
At 31 December 2007:				
Investments in subsidiaries	–	–	125,346	*
Investments in associate	521,521	593,770	180,403	228,458
Financial liabilities				
At 31 December 2008:				
Term loans	178,717	167,582	173,000	162,035
At 31 December 2007:				
Term loans	241,200	233,317	226,374	218,783
Revolving credit	10,000	10,000	–	–

* 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

32 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 of Singapore and Cambodia.

	2008			Consolidated RM'000
	Malaysia RM'000	Foreign RM'000	Unallocated assets RM'000	
External sales	351,719	181,033	–	532,752
Assets:				
Segment assets	179,023	60,942	–	239,965
Investments in associate	–	–	605,409	605,409
Goodwill on consolidation	–	–	50,605	50,605
Tax recoverable	–	–	7,118	7,118
Total assets employed	179,023	60,942	663,132	903,097
Capital expenditure	26,527	20,247	–	46,774
	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	159,046	62,831	–	221,877
Investments in associate	–	–	521,521	521,521
Goodwill on consolidation	–	–	50,605	50,605
Tax recoverable	–	–	7,769	7,769
Total assets employed	159,046	62,831	579,895	801,772
Capital expenditure	28,168	13,193	–	41,361

33 SUBSEQUENT EVENT

The Company acquired 865,300 ordinary shares in KFC Holdings (Malaysia) Bhd (“KFCH”) on 2 January 2009 representing 0.44% of the issued and paid-up share capital of KFCH for a total purchase consideration of RM6,612,657 (“the Acquisition”). Following the Acquisition, the Group's shareholdings in KFCH increased from 49.81% to 50.25%, thereby effectively making KFCH a subsidiary of the Group.

ANALYSIS OF SHAREHOLDINGS

As at 11 March 2009

Authorised Share Capital	:	RM1,000,000,000
Issued and Paid Up Share Capital	:	RM286,382,929 less RM5,000,000 Treasury Shares = RM281,382,929
Class of Shares	:	Ordinary Share of RM1.00 each
Voting Right	:	1 vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shares
1 – 99	1,830	42.20	13,328	-
100 – 1,000	850	19.60	484,088	0.17
1,001 – 10,000	1,360	31.37	4,772,652	1.70
10,001 – 100,000	251	5.79	6,142,935	2.18
100,001 – Less than 5% of issued shares	41	0.95	47,408,647	16.85
5% and above of issued shares	4	0.09	222,561,279	79.10
Total	4,336	100.00	281,382,929	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct No. of Shares	%	Indirect No. of Shares	%
Cimsec Noms (Tempatan) Sdn Bhd-Kulim (Malaysia) Berhad	139,920,208	49.73	30,703,754 ⁽¹⁾	10.91
Kulim (Malaysia) Berhad	30,703,754	10.91	139,920,208 ⁽²⁾	49.73
Johor Corporation	1,166	*	170,623,962 ⁽³⁾	60.64
Lembaga Tabung Haji	28,334,833	10.07	-	-
Giganite Limited	25,228,000	8.97	-	-
Michael Tang Vee Mun	-	-	25,228,000 ⁽⁴⁾	8.97
Chai Sing Hong (Deceased)	-	-	25,228,000 ⁽⁴⁾	8.97

NOTES

* Negligible

⁽¹⁾ Deemed interest through Kulim (Malaysia) Berhad.

⁽²⁾ Deemed interest through Cimsec Noms (Tempatan) Sdn Bhd – Kulim (Malaysia) Berhad.

⁽³⁾ Deemed interest through Kulim (Malaysia) Berhad.

⁽⁴⁾ Deemed interest through Giganite Limited.

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

None of the Directors has any interest, direct or indirect, in the Company and its related corporations.

LIST OF TOP THIRTY (30) SHAREHOLDERS AS AT 11 MARCH 2009

Name	No. of Shares	% of Total Shares
Cimsec Noms (T) Sdn Bhd - A/C Kulim (Malaysia) Berhad (CASS)	139,920,208	49.73
Kulim (Malaysia) Berhad	29,078,238	10.33
Lembaga Tabung Haji	28,334,833	10.07
HDM Noms (A) Sdn Bhd - A/C DBS Bank Labuan Branch for Giganite Limited	25,228,000	8.97
Citigroup Noms (T) Sdn Bhd - A/C CMS Trust Management Berhad for Employees Provident Fund	6,312,700	2.24
Mayban Secs Noms (T) Sdn Bhd - A/C Low Mei Loon (Dealer 072)	5,228,000	1.86
Mayban Noms (T) Sdn Bhd - A/C Mayban Trustees Bhd for Public Ittikal Fund (N14011970240)	4,101,616	1.46
Mayban Noms (T) Sdn Bhd - A/C Mayban Trustees Bhd for Public Regular Savings Fund (N14011940100)	3,685,000	1.31
Employees Provident Fund Board	2,895,100	1.03
AMSec Noms (T) Sdn Bhd - A/C CMS Trust Management Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund (RB-TNB-CMS)	2,643,000	0.94
HSBC Noms (T) Sdn Bhd - A/C HSBC (M) Trustee Bhd for CMS Premier Fund (4959)	2,580,000	0.92
Alliancegroup Noms (T) Sdn Bhd - A/C Alliance Investment Management Berhad for Employees Provident Fund	2,500,000	0.89
Amanah Raya Noms (T) Sdn Bhd - A/C Public Smallcap Fund	2,396,900	0.85
Amanah Raya Noms (T) Sdn Bhd - A/C Public Savings Fund	1,955,333	0.69
Kulim (Malaysia) Berhad	1,625,516	0.58
Amanah Raya Noms (T) Sdn Bhd - A/C Public Islamic Opportunities Fund	1,408,166	0.50
HSBC Noms (T) Sdn Bhd - A/C HSBC (M) Trustee Bhd for CMS Malaysian Inc Fund (6277-401)	1,245,000	0.44
Mayban Noms (T) Sdn Bhd - A/C Mayban Life Assurance Berhad (Non-Par Fund)	978,000	0.35
Mayban Noms (T) Sdn Bhd - A/C Mayban Life Assurance Berhad (Par Fund)	978,000	0.35
Amanah Raya Noms (T) Sdn Bhd - A/C Public Islamic Sector Select Fund	744,700	0.26
Amanah Raya Noms (T) Sdn Bhd - A/C Dana Johor	700,000	0.25
AIBB Noms (T) Sdn Bhd - A/C Tan Teck Piow	531,300	0.19
Universal Trustee (M) Berhad - A/C CMS Islamic Fund	490,000	0.17
Neoh Choo Ee & Company Sdn Berhad	475,000	0.17
M.I.T Noms (T) Sdn Bhd - A/C Exosoft Sdn Bhd (MG0171-199)	435,000	0.15
HSBC Noms (T) Sdn Bhd - A/C HSBC (M) Trustee Bhd for Manulife Insurance Berhad (HSBC FLGF 6731)	350,000	0.12
HSBC Noms (T) Sdn Bhd - A/C HSBC (M) Trustee Bhd for CMS Balanced Fund (3944)	305,000	0.11
HSBC Noms (T) Sdn Bhd - A/C HSBC (M) Trustee Bhd for Apex Dynamic Fund (5303-401)	228,866	0.08
Mayban Noms (T) Sdn Bhd - A/C Etiqa Insurance Berhad (Life Par Fund)	203,200	0.07
Peng Peng Foo	201,680	0.07
Total	267,758,356	95.15

ANALYSIS OF WARRANT HOLDINGS

As at 11 March 2009

Exercise Price : RM3.01 per Ordinary Share
 Exercise Period : 6 March 2008 up to 5 March 2013

DISTRIBUTION OF WARRANT HOLDERS

Size of Warrant Holding	No. of Warrant Holders	Warrant Holders	% of Total No. of Warrants	% of Total Warrants
1 – 99	140	9.49	8,131	0.02
100 – 1,000	873	59.19	330,209	0.80
1,001 – 10,000	327	22.17	1,128,191	2.76
10,001 – 100,000	104	7.05	3,456,653	8.45
100,001 – Less than 5% of issued shares	29	1.97	9,290,314	22.71
5% and above of issued shares	2	0.13	26,698,349	65.26
Total	1,475	100.00	40,911,847	100.00

LIST OF TOP THIRTY (30) WARRANT HOLDERS AS AT 11 MARCH 2008

Name	No. of Warrants	% of Total Warrants
Cimsec Noms (T) Sdn Bhd – A/C Kulim (Malaysia) Berhad (CASS)	19,988,601	48.86
Kulim (Malaysia) Berhad	6,709,748	16.40
Lembaga Tabung Haji	1,487,933	3.64
Quek Phaik Im	979,100	2.39
Amanah Raya Noms (T) Sdn Bhd – A/C Public Smallcap Fund	800,000	1.96
Mayban Noms (T) Sdn Bhd – A/C Mayban Trustees Bhd for Public Ittikal Fund (N14011970240)	514,516	1.26
Mayban Secs Noms (T) Sdn Bhd – A/C Wong Ah Kum (REM 860)	443,800	1.08
Cha Thoong Han	400,000	0.98
TA Noms (T) Sdn Bhd – A/C Chua Eng Ho Waa @ Chua Eng Wah	302,200	0.74

LIST OF TOP THIRTY (30) WARRANT HOLDERS AS AT 11 MARCH 2008 (cont'd)

Name	No. of Warrants	% of Total Warrants
Ku Lian Sin	283,000	0.69
Amanah Raya Noms (T) Sdn Bhd – A/C Public Savings Fund	279,333	0.68
Lee Siew Ai	278,400	0.68
Chong Fook Kian	263,600	0.64
SJ Sec Noms (T) Sdn Bhd – A/C Liew Pak Chin (SMT)	252,130	0.62
Public Noms (T) Sdn Bhd – A/C Kong Goon Khing (E-BTR)	250,000	0.61
HLG Noms (T) Sdn Bhd – A/C Yap Swee Hang (CCTS)	245,500	0.60
Kulim (Malaysia) Berhad	232,216	0.57
Pak Siew Fong	220,000	0.54
Amanah Raya Noms (T) Sdn Bhd – A/C Public Islamic Opportunities Fund	201,166	0.49
RHB Capital Noms (T) Sdn Bhd – A/C Wong Han Keong (201074)	200,000	0.49
Aslina binti Mohd Islam	200,000	0.49
Teo Ah Seng	193,350	0.47
Cimsec Noms (T) Sdn Bhd – A/C CIMB Bank for Yap Swee Hang (MM1105)	177,400	0.43
Mayban Noms (T) Sdn Bhd – A/C Beh Chan Pin	170,000	0.42
Yen Kon Pau	170,000	0.42
Neoh Choo Ee @ Company Sdn Berhad	155,000	0.38
Public Noms (T) Sdn Bhd – A/C Quek Phaik Im (E-KLC)	150,000	0.37
Tan Soo Sie	125,000	0.31
Yap Swee Hang	109,100	0.27
Tan Kim Siw	105,070	0.26
Total	35,886,163	87.74

LIST OF PROPERTIES HELD

As at 31 December 2008

Location	Date of Valuation	Age of Building (years)	Tenure	Expiry Date	Area (sq ft)	Description	Net Book Value (RM'000)
COMMERCIAL PROPERTIES							
Penang							
Unit No G-104 Megamal Pinang 2828 Jalan Baru Bandar Perai Jaya 13600 Seberang Perai Tengah	26/12/2008	12	Freehold	–	2,762	Ground floor of a shopping complex for restaurant	1,492
1-10G Eden Parade Jalan Sungai Emas 11100 Batu Ferringhi	26/12/2008	8	Freehold	–	1,409	Ground and mezzanine floors of a shopping complex for restaurant	552
Selangor							
20-4 & 22-4 Jalan 14/22 The Right Angle 46100 Petaling Jaya	26/12/2008	19	Leasehold	16/12/2086	3,080	3rd floor of 2 adjoining units of a 4-storey shophouse	457
Johor							
86 Jalan Dedap 4 Taman Johor Jaya 81100 Johor Bahru	26/12/2008	26	Freehold	–	1,540	Double-storey shophouse for restaurant	536
INDUSTRIAL PROPERTY							
Selangor							
Lot 7 Jalan 51A / 223 46675 Petaling Jaya	26/12/2008	43	Leasehold	27/04/2065	10,883	Single-storey building with a double-storey office block	1,976