



**BERJAYA**

**BERJAYA FOOD BERHAD**

(Company No. 876057-U)  
(Incorporated in Malaysia under the Companies Act, 1965)

*Principal Adviser, Managing Underwriter, Underwriter  
and Placement Agent*

**AmInvestment Bank Berhad**  
(Company No. 23742-V)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)  
A member of



**AmInvestment Bank**  
**Group**

*Underwriter and Placement Agent*  
**Inter-Pacific Securities Sdn Bhd**  
(Company No. 12738-U)

**INTER-PACIFIC**  
SECURITIES SDN. BHD.  
(12738-U)

A Participating Organisation of Bursa Malaysia Securities Berhad

**This Prospectus is dated 18 February 2011**

BERJAYA FOOD BERHAD | PROSPECTUS 2011

**OFFER FOR SALE OF 35,837,000 ORDINARY SHARES OF RM0.50 EACH IN BERJAYA FOOD BERHAD ("OFFER SHARES") COMPRISING:-**

- (A) 14,134,800 OFFER SHARES AVAILABLE FOR PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY;
- (B) 9,734,800 OFFER SHARES AVAILABLE FOR PRIVATE PLACEMENT TO SELECTED INVESTORS;
- (C) 3,533,700 OFFER SHARES AVAILABLE FOR APPLICATION BY THE BUMIPUTERA PUBLIC;
- (D) 3,533,700 OFFER SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC; AND
- (E) 4,900,000 OFFER SHARES AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES OF BERJAYA FOOD BERHAD AND ITS SUBSIDIARY,

**AT AN OFFER PRICE OF RM0.51 PER OFFER SHARE PAYABLE IN FULL UPON APPLICATION PURSUANT TO THE LISTING OF BERJAYA FOOD BERHAD ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD**

*INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. PLEASE REFER TO SECTION 3 OF THIS PROSPECTUS FOR "RISK FACTORS".*



Less fat ..... Less salt ..... Less Calories .....

**ROASTERS Catering/Delivery**  
**1-300-888-878**

**BERJAYA FOOD BERHAD**  
876057-U

### RESPONSIBILITY STATEMENTS

THE DIRECTORS AND PROMOTER OF BERJAYA FOOD BERHAD ("**BFOOD**" OR THE "**COMPANY**") AND THE OFFEROR HAVE SEEN AND APPROVED THIS PROSPECTUS AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN. THEY CONFIRM THAT, AFTER HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING.

AMINVESTMENT BANK BERHAD (A MEMBER OF THE AMINVESTMENT BANK GROUP), BEING THE COMPANY'S PRINCIPAL ADVISER ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE OFFER FOR SALE.

### STATEMENTS OF DISCLAIMER

THE SECURITIES COMMISSION ("**SC**") HAS APPROVED THE OFFER FOR SALE AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. HOWEVER, THE APPROVAL AND REGISTRATION OF THIS PROSPECTUS SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS INVESTORS MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

**INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, SHOULD CONSULT THEIR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

THE COMPANY HAS OBTAINED THE APPROVAL-IN-PRINCIPLE OF BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") FOR THE LISTING OF AND QUOTATION FOR THE ORDINARY SHARES OF RM0.50 EACH IN THE COMPANY ("**SHARES**") BEING OFFERED. ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE OFFER FOR SALE, THE COMPANY OR ITS SECURITIES.

THE ACCEPTANCE OF APPLICATIONS FOR THE SHARES IS CONDITIONAL UPON THE LISTING OF AND QUOTATION FOR ALL THE SHARES ON THE MAIN MARKET OF BURSA SECURITIES TAKING EFFECT. IF THE LISTING AND QUOTATION DOES NOT TAKE EFFECT WITHIN SIX (6) WEEKS FROM THE DATE OF THIS PROSPECTUS (OR SUCH LONGER PERIOD AS MAY BE SPECIFIED BY THE SC), PROVIDED THAT THE COMPANY IS NOTIFIED BY BURSA SECURITIES WITHIN THE AFORESAID TIMEFRAME, ALL MONIES PAID IN RESPECT OF ANY APPLICATION ACCEPTED WILL BE RETURNED IN FULL, WITHOUT INTEREST TO THE APPLICANTS, AT THE APPLICANTS' OWN RISK. IF ANY SUCH MONIES ARE NOT RETURNED WITHIN 14 DAYS AFTER THE COMPANY BECOMES LIABLE TO DO SO, THE PROVISION OF SUB-SECTION 243(2) OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("**CMSA**") SHALL APPLY ACCORDINGLY.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE FORM OF APPLICATION, HAVE ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE OFFER FOR SALE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE SHARIAH ADVISORY COUNCIL OF THE SC ("SAC") HAS CLASSIFIED THE COMPANY'S SECURITIES AS SHARIAH-COMPLIANT BASED ON THE PROFORMA CONSOLIDATED FINANCIAL STATEMENTS OF BFOOD FOR THE LATEST FINANCIAL YEAR ENDED 30 APRIL 2010. THIS CLASSIFICATION REMAINS VALID UNTIL THE NEXT SHARIAH COMPLIANCE REVIEW IS UNDERTAKEN BY THE SAC. THE NEW STATUS IS RELEASED IN THE UPDATED LIST OF SHARIAH-COMPLIANT SECURITIES, ON THE LAST FRIDAY OF MAY AND NOVEMBER.

COPIES OF THIS PROSPECTUS MAY BE OBTAINED, SUBJECT TO AVAILABILITY, FROM THE SHARE REGISTRAR, BERJAYA REGISTRATION SERVICES SDN BHD, LOT 06-03, LEVEL 6, EAST WING, BERJAYA TIMES SQUARE, NO. 1 JALAN IMBI, 55100 KUALA LUMPUR (TELEPHONE NO.: 03-2145 0533). THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM THE WEBSITE OF BURSA SECURITIES AT <http://www.bursamalaysia.com>.

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR WITH OR BY ANY REGULATORY AUTHORITY OR OTHER RELEVANT BODY OF ANY JURISDICTION OTHER THAN MALAYSIA.

THE COMPANY WILL NOT, PRIOR TO ACTING ON ANY ACCEPTANCE IN RESPECT OF THE OFFER FOR SALE, MAKE OR BE BOUND TO MAKE ANY ENQUIRY AS TO WHETHER INVESTORS HAVE A REGISTERED ADDRESS IN MALAYSIA AND WILL NOT ACCEPT OR BE DEEMED TO ACCEPT ANY LIABILITY IN RELATION THERETO WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION THEREWITH.

IT SHALL BE INVESTORS' SOLE RESPONSIBILITY IF THEY ARE OR MAY BE SUBJECT TO THE LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO CONSULT THEIR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER THE OFFER FOR SALE WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OF SUCH COUNTRIES OR JURISDICTIONS.

FURTHER, IT SHALL ALSO BE INVESTORS' SOLE RESPONSIBILITY TO ENSURE THAT THEIR APPLICATION FOR THE OFFER FOR SALE WOULD BE IN COMPLIANCE WITH THE TERMS OF THE OFFER FOR SALE AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH THEY MAY BE SUBJECTED. THE COMPANY WILL FURTHER ASSUME THAT INVESTORS HAD ACCEPTED THE OFFER FOR SALE IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECTED ONLY TO THE LAWS OF MALAYSIA IN CONNECTION THEREWITH.

HOWEVER, THE COMPANY RESERVES THE RIGHT, IN ITS ABSOLUTE DISCRETION TO TREAT ANY ACCEPTANCE AS INVALID IF THE COMPANY BELIEVES THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

NO ACTION HAS BEEN OR WILL BE TAKEN TO ENSURE THAT THIS PROSPECTUS COMPLIES WITH THE LAWS OF ANY COUNTRIES OR JURISDICTION OTHER THAN THE LAWS OF MALAYSIA. IT SHALL BE INVESTORS' SOLE RESPONSIBILITY TO CONSULT THEIR LEGAL AND/OR OTHER PROFESSIONAL ADVISER ON THE LAWS TO WHICH THE OFFER FOR SALE OR INVESTORS ARE OR MIGHT BE SUBJECTED TO. NEITHER THE COMPANY NOR THE ADVISER NOR ANY OTHER ADVISERS IN RELATION TO THE OFFER FOR SALE SHALL ACCEPT ANY RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY APPLICATION MADE BY INVESTORS SHALL BECOME ILLEGAL, UNENFORCEABLE, AVOIDABLE OR VOID IN ANY COUNTRY OR JURISDICTION.

THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME.

INVESTORS MAY ALSO OBTAIN A COPY OF THE ELECTRONIC PROSPECTUS FROM THE WEBSITE OF AFFIN BANK BERHAD AT <http://www.affinOnline.com>, THE WEBSITE OF CIMB INVESTMENT BANK BERHAD AT <http://www.eipocimb.com>, THE WEBSITE OF CIMB BANK BERHAD AT <http://www.cimbclicks.com.my>, THE WEBSITE OF MALAYAN BANKING BERHAD AT <http://www.maybank2u.com.my>, THE WEBSITE OF RHB BANK BERHAD AT <http://www.rhbbank.com.my>, AND THE WEBSITE OF PUBLIC BANK BERHAD AT <http://www.pbepbank.com> VIA HYPERLINK TO THE WEBSITE OF BURSA SECURITIES.

THE INTERNET IS NOT A FULLY SECURED MEDIUM. INTERNET APPLICATIONS MAY BE SUBJECT TO RISKS IN DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION. THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTION.

IF INVESTORS DOUBT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, INVESTORS SHOULD IMMEDIATELY REQUEST FROM THE COMPANY OR THE ISSUING HOUSE, A PAPER/PRINTED COPY OF THIS PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER/PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS, WHICH IS IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC, SHALL PREVAIL. THE ELECTRONIC PROSPECTUS SUBMITTED TO THE SC AND BURSA SECURITIES IS THE SAME AS THE REGISTERED PAPER PRINTED COPY.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "**THIRD PARTY INTERNET SITES**") WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, INVESTORS ACKNOWLEDGE AND AGREE THAT:-

- (I) THE COMPANY DOES NOT ENDORSE AND IS NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES. ACCORDINGLY, THE COMPANY IS NOT RESPONSIBLE FOR THE AVAILABILITY OF, THE CONTENT ON, OR ANY DATA, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. INVESTORS BEAR ALL RISK ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;
- (II) THE COMPANY IS NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY TERMS OF ANY AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. THE COMPANY IS ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT INVESTORS MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, FILES OR OTHER MATERIALS PROVIDED BY SUCH PARTIES; AND

- (III) ANY DATA, FILE OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT INVESTORS' OWN DISCRETION AND RISK. THE COMPANY IS NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO THE INVESTORS' COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, INVESTORS ARE ADVISED THAT:-

- (I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS, I.E. TO THE EXTENT THAT THE CONTENT OF THE ELECTRONIC PROSPECTUS ON THE WEB OBSERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION MAY BE VIEWED VIA WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT RESPONSIBLE FOR THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS, WHICH HAS BEEN OBTAINED FROM THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, AND SUBSEQUENTLY COMMUNICATED OR DISSEMINATED IN ANY MANNER TO THE INVESTORS OR OTHER PARTIES; AND
- (II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF THE ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURED MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS THAT INVESTORS OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT ON THE INVESTORS OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON THE INVESTORS' PERSONAL COMPUTERS.

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**INDICATIVE TIMETABLE**

The indicative timing of events leading up to the listing of and quotation for the entire share capital of BFood on the Main Market of Bursa Securities are set out below:-

<u>Date</u>	<u>Event</u>
10.00 a.m. on 18 February 2011	: Issuance of Prospectus/Opening date of the applications for the Offer For Sale
<b><u>Tentative Dates</u></b>	
5.00 p.m on 25 February 2011	: Closing date of the applications for the Offer For Sale
1 March 2011	: Balloting of applications for the Offer Shares
4 March 2011	: Transfer and allocation of the Offer Shares to successful applicants
8 March 2011	: Listing

**THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES.**

**THE APPLICATION PERIOD FOR THE OFFER SHARES WILL OPEN AT 10.00 A.M. ON 18 FEBRUARY 2011 AND WILL REMAIN OPEN UNTIL 5.00 P.M. ON 25 FEBRUARY 2011 OR FOR SUCH FURTHER PERIOD OR PERIODS AS THE DIRECTORS OF THE COMPANY AND THE OFFEROR IN THEIR ABSOLUTE DISCRETION MAY MUTUALLY DECIDE.**

**IN THE EVENT THAT THE CLOSING DATE OF THE APPLICATIONS FOR THE OFFER SHARES IS EXTENDED, THE DATES FOR THE BALLOTING, TRANSFER OF THE OFFER SHARES AND THE LISTING WILL BE EXTENDED ACCORDINGLY. ANY EXTENSION OF THE ABOVEMENTIONED DATES WILL BE ANNOUNCED BY WAY OF ADVERTISEMENT IN A WIDELY CIRCULATED DAILY BAHASA MALAYSIA AND ENGLISH NEWSPAPER IN MALAYSIA.**

**DEFINITIONS**

Except where the context otherwise requires, the following terms and expressions as defined, shall apply throughout this Prospectus:-

<b>9MP</b>	—	Ninth Malaysian Plan
<b>10MP</b>	—	Tenth Malaysian Plan
<b>Act</b>	—	The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
<b>Acquisition</b>	—	The acquisition by BFood of the entire issued and paid-up share capital of BRoasters representing 17,000,000 ordinary shares of RM1.00 each from BGroup for a total consideration of RM72,087,478 which was satisfied via the issuance of 141,347,996 new BFood Shares at an issue price of RM0.51 each, credited as fully paid-up
<b>ADA(s)</b>	—	Authorised Depository Agent
<b>ADA Code</b>	—	ADA (Broker) Code
<b>AmlInvestment Bank</b>	—	AmlInvestment Bank Berhad (a member of the AmlInvestment Bank Group) (Company No. 23742-V), being the Principal Adviser, Managing Underwriter, Underwriter and Placement Agent for the Offer For Sale
<b>Application(s)</b>	—	The application for the Offer Shares by way of Application Form(s) or by way of Electronic Share Application or Internet Share Application
<b>Application Form(s)</b>	—	The printed application form(s) for the application of the Offer Shares
<b>ATM</b>	—	Automated Teller Machine
<b>Board or Directors</b>	—	The board of Directors of BFood
<b>BCorporation</b>	—	Berjaya Corporation Berhad (Company No. 554790-X), the ultimate holding company of BFood
<b>BCorporation Group</b>	—	BCorporation and its subsidiaries
<b>BFood or Company</b>	—	Berjaya Food Berhad (Company No. 876057-U)
<b>BFood Group or Group</b>	—	BFood and its subsidiary
<b>BFood Share(s) or Share(s)</b>	—	Ordinary share(s) of RM0.50 each in BFood
<b>BGCayman</b>	—	Berjaya Group (Cayman) Limited
<b>BGroup</b>	—	Berjaya Group Berhad (Company No. 7308-X), the immediate holding company of BFood and the Offeror as well as Promoter for the Offer For Sale
<b>BLand</b>	—	Berjaya Land Berhad (Company No. 201765-A)
<b>BRoasters</b>	—	Berjaya Roasters (M) Sdn Bhd (Company No. 278605-A)

**DEFINITIONS**

<b>Bursa Depository</b>	—	Bursa Depository Sdn Bhd (Company No. 165570-W)
<b>Bursa Securities</b>	—	Bursa Malaysia Securities Berhad (Company No. 635998-W)
<b>Bylaws</b>	—	The rules, terms and conditions of the ESOS (as may be amended, varied or supplemented from time to time in accordance with the Bylaws)
<b>CDS</b>	—	Central Depository System
<b>Central Depositories Act</b>		The Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
<b>CMSA</b>	—	Capital Markets and Services Act, 2007 or any statutory modification, amendment or re-enactment thereof for the time being in force
<b>Converging Knowledge</b>	—	Converging Knowledge Pte Ltd, being the Independent Market Research Consultant
<b>Department for FSQ</b>	—	Department for Food Safety and Quality of the MOHM
<b>EBITDA</b>	—	Earnings before interests, taxation, depreciation and amortisation
<b>Electronic Prospectus</b>	—	A copy of this Prospectus that is issued, circulated or disseminated via the Internet
<b>Electronic Share Application</b>	—	An application for the Offer Shares through Participating Financial Institutions' ATM
<b>EPS</b>	—	Earnings per share
<b>ESOS</b>	—	Employees' share option scheme for the grant of options to eligible Directors and employees of the Group to subscribe for new Shares
<b>ESOS Option or Option</b>	—	The right of a grantee to subscribe for new Shares upon acceptance of an offer made to such grantee under the ESOS
<b>Equity Guidelines</b>	—	Equity Guidelines issued by the SC
<b>FSR</b>	—	Full service restaurant
<b>FPE</b>	—	Financial period ended
<b>FYE</b>	—	Financial year ended 30 April
<b>GDP</b>	—	Gross Domestic Product
<b>IMRR</b>	—	Independent Market Research Report on "The Food Service Industry in Malaysia, 2010" by Converging Knowledge
<b>Independent Franchisee(s)</b>	—	Party(ies) other than BRoasters who has/have entered into a sub-franchise agreement with RAPM for the operation of KRR restaurant(s) in Malaysia

**DEFINITIONS**

<b>Internet</b>	— The interconnection of servers worldwide that provides communications and application services to an international base of business, consumers, education, research, government and other organisations
<b>Internet Participating Financial Institution(s)</b>	— Participating organisation(s) in the Internet Share Application as listed in Section 16.6.2 of this Prospectus
<b>Internet Share Application</b>	— Application for the Offer Shares through an Internet Participating Financial Institution
<b>IPS</b>	— Inter-Pacific Securities Sdn Bhd (Company No. 12738-U), being an Underwriter and Placement Agent for the Offer For Sale
<b>KRR</b>	— Kenny Rogers Roasters
<b>Listing</b>	— Admission to the Official List and the listing of and quotation for the Company's entire issued and paid-up share capital comprising 141,348,000 Shares on the Main Market of Bursa Securities
<b>Listing Requirements</b>	— The Main Market Listing Requirements issued by Bursa Securities
<b>Listing Scheme</b>	— The Acquisition, Offer For Sale, Listing and ESOS, collectively
<b>LPD</b>	— 19 January 2011, being the latest practicable date prior to the issuance of this Prospectus
<b>Managing Underwriter</b>	— AmInvestment Bank in its capacity as managing underwriter in respect of the Offer for Sale
<b>Market Day</b>	— A day on which Bursa Securities is open for trading in securities
<b>MDA</b>	— The master development agreement entered into on 1 January 2004 between BRoasters and RAPM, which supersedes the earlier franchise agreement entered into between both parties in 1994, for the operations of KRR restaurants in Malaysia together with any supplemental agreements, as amended from time to time
<b>MICE</b>	— Meetings, Incentives, Conferences and Events
<b>MIH or Issuing House</b>	— Malaysian Issuing House Sdn Bhd (Company No. 258345-X)
<b>MITI</b>	— Ministry of International Trade and Industry
<b>MOHM</b>	— Ministry of Health Malaysia
<b>NA</b>	— Net assets
<b>NL</b>	— Net liabilities
<b>NTA</b>	— Net tangible assets
<b>NTL</b>	— Net tangible liabilities

**DEFINITIONS**

<b>Offer For Sale or Offer</b>	— Offer for sale by the Offeror of the Offer Shares at the Offer Price, payable in full upon application, subject to the terms and conditions of this Prospectus
<b>Offer Price</b>	— RM0.51 for each Offer Share, being the price payable by investors under the Offer For Sale
<b>Offer Share(s)</b>	— The 35,837,000 BFood Shares which is the subject of the Offer For Sale
<b>Official List</b>	— The official list of the Main Market of Bursa Securities
<b>Participating Financial Institution(s)</b>	— Participating financial institution(s) for Electronic Share Application as listed in Section 16.5.2(o) of this Prospectus
<b>PAT</b>	— Profit after taxation
<b>PBT</b>	— Profit before taxation
<b>Pink Form Shares Allocation</b>	— 4,900,000 Offer Shares to be made available for application by the eligible Directors, employees and business associates of the BFood Group
<b>Prescribed Securities</b>	— Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the Central Depositories Act and Rules
<b>Promoter or Offeror</b>	— BGroup, a substantial shareholder of BFood
<b>PPE</b>	— Property, plant and equipment
<b>Prospectus</b>	— This Prospectus issued by the Company in respect of the Offer For Sale
<b>R&amp;D</b>	— Research and development
<b>RAP Cayman</b>	— Roasters Asia Pacific (Cayman) Limited
<b>RAP HK</b>	— Roasters Asia Pacific (HK) Limited
<b>RAPM</b>	— Roasters Asia Pacific (M) Sdn Bhd (Company No. 313763-T)
<b>RM and sen</b>	— Ringgit Malaysia and sen respectively
<b>Rules</b>	— The rules of Bursa Depository
<b>SAC</b>	— The Shariah Advisory Council of the SC
<b>SC</b>	— Securities Commission of Malaysia
<b>SME</b>	— Small and medium enterprises
<b>SPA</b>	— Sale and purchase agreement dated 31 March 2010 between BFood as the purchaser and BGroup as the vendor pursuant to the Acquisition, as amended from time to time
<b>TSVT</b>	— Tan Sri Dato' Seri Vincent Tan Chee Yioun, an indirect substantial shareholder of BFood

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**DEFINITIONS**

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- Underwriters** — AmInvestment Bank and IPS in their capacity as underwriters in respect of the Offer for Sale
- Underwriting Agreement** — The underwriting agreement dated 28 January 2011 between BGroup, AmInvestment Bank and IPS pursuant to which AmInvestment Bank and IPS have agreed to severally but not jointly underwrite up to an aggregate of 11,967,400 Offer Shares offered pursuant to the Offer For Sale

Words referring to the singular shall, where applicable, include the plural and vice versa, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include a company or a corporation.

Any enactment referred to in this Prospectus is a reference to that enactment for the time being amended or re-enacted.

All references to “Company” and “BFood” in this Prospectus are to Berjaya Food Berhad, references to “Group” are to the Company and its subsidiary. Unless the context otherwise requires, references to statements as to the Company’s beliefs, expectations, estimates and opinions are those of the Company’s Directors and key management.

This Prospectus contains forward-looking statements, which are statements other than statements of historical facts that are based on assumptions that are subject to known and unknown risks, uncertainties and contingencies. The words, such as “believes”, “plans”, “expects”, “intend”, “forecast”, “estimate” and similar expressions, are used to identify such forward-looking statements. These forward-looking statements represent the Company’s views and beliefs with respect to the future of the Group, and do not constitute a guarantee of the future performance of the Group.

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**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>	<b>Profession</b>
Dato' Robin Tan Yeong Ching (Executive Chairman)	16, Lingkungan U Thant 55000 Kuala Lumpur	Malaysian	Company Director
Dato' Lee Kok Chuan (Chief Executive Officer)	145, Jalan Athinahapan 2 Taman Tun Dr Ismail 60000 Kuala Lumpur	Malaysian	Company Director
Datuk Zainun Aishah Binti Ahmad (Independent Non-Executive Director)	4, Jalan 11/3 40000 Shah Alam Selangor	Malaysian	Company Director
Dato' Mustapha Bin Abd Hamid (Independent Non-Executive Director)	No.1, Jalan 4/155A Bukit Jalil Golf and Country Resort 57000 Kuala Lumpur	Malaysian	Company Director
Tan Thiam Chai (Non-Independent Non-Executive Director)	39, Batu Settlement Batu 4 1/2 Jalan Ipoh 51200 Kuala Lumpur	Malaysian	Company Director

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Datuk Zainun Aishah Binti Ahmad	Chairman	Independent Non-Executive Director
Dato' Mustapha Bin Abd Hamid	Member	Independent Non-Executive Director
Tan Thiam Chai	Member	Non-Independent Non-Executive Director

**COMPANY SECRETARIES**

: Su Swee Hong (MAICSA No. 0776729)  
Gan Swee Peng (MAICSA No. 7001222)  
Lot 13-01A, Level 13 (East Wing)  
Berjaya Times Square  
No.1 Jalan Imbi  
55100 Kuala Lumpur

**REGISTERED OFFICE**

: Lot 13-01A, Level 13 (East Wing)  
Berjaya Times Square  
No.1 Jalan Imbi  
55100 Kuala Lumpur  
Telephone No. : 03-2149 1999  
Facsimile No. : 03-2143 1685

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**CORPORATE DIRECTORY**

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- CORPORATE OFFICE** : Level 12  
Berjaya Times Square  
No.1 Jalan Imbi  
55100 Kuala Lumpur  
Telephone No. : 03-2149 1999  
Facsimile No. : 03-2144 0869  
Website : www.berjaya.com
- AUDITORS AND REPORTING ACCOUNTANTS** : Ernst & Young (AF: 0039)  
Level 23A Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Telephone No. : 03-7495 8000
- SOLICITORS FOR THE LISTING** : Zul Rafique & Partners  
Advocates and Solicitors  
D3-3-8, Solaris Dutamas  
No. 1, Jalan Dutamas 1  
50480 Kuala Lumpur  
Telephone No. : 03-6209 8228
- PRINCIPAL BANKERS** : Malayan Banking Berhad  
Bukit Bintang Branch  
Ground Floor  
Bangunan Yayasan Selangor  
Jalan Bukit Bintang  
55100 Kuala Lumpur  
Telephone No. : 03-2148 9270
- RHB Bank Berhad  
10<sup>th</sup> Floor  
75 Jalan Tun H S Lee  
50050 Kuala Lumpur  
Telephone No. : 03-2053 1351
- OCBC Bank (Malaysia) Berhad  
Jalan Tun Perak Branch  
Ground Floor, Menara OCBC  
18, Jalan Tun Perak  
50050 Kuala Lumpur  
Telephone No. : 03-2034 5034
- REGISTRAR** : Berjaya Registration Services Sdn Bhd  
Lot 06-03, Level 6, East Wing  
Berjaya Times Square  
No.1 Jalan Imbi  
55100 Kuala Lumpur  
Telephone No. : 03-2145 0533
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Telephone No. : 03-7841 8000



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**CORPORATE DIRECTORY**

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- INDEPENDENT MARKET RESEARCH CONSULTANT** : Converging Knowledge Pte Ltd  
43 B&C Tras Street  
Singapore 078982  
Telephone No. : +65 6225 8781
- PRINCIPAL ADVISER, MANAGING UNDERWRITER, UNDERWRITER AND PLACEMENT AGENT** : AmInvestment Bank Berhad  
(A member of AmInvestment Bank Group)  
22<sup>nd</sup> Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Telephone No. : 03-2036 2633/44/55
- UNDERWRITER AND PLACEMENT AGENT** : Inter-Pacific Securities Sdn Bhd  
Level 13, West Wing, Berjaya Times Square  
No. 1, Jalan Imbi  
55100 Kuala Lumpur  
Telephone No. : 03-2117 1888
- LISTING SOUGHT** : Main Market of Bursa Securities

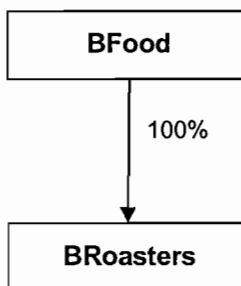
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**1. INFORMATION SUMMARY**

**THIS INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN THE OFFER SHARES. THE INFORMATION SUMMARY SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.**

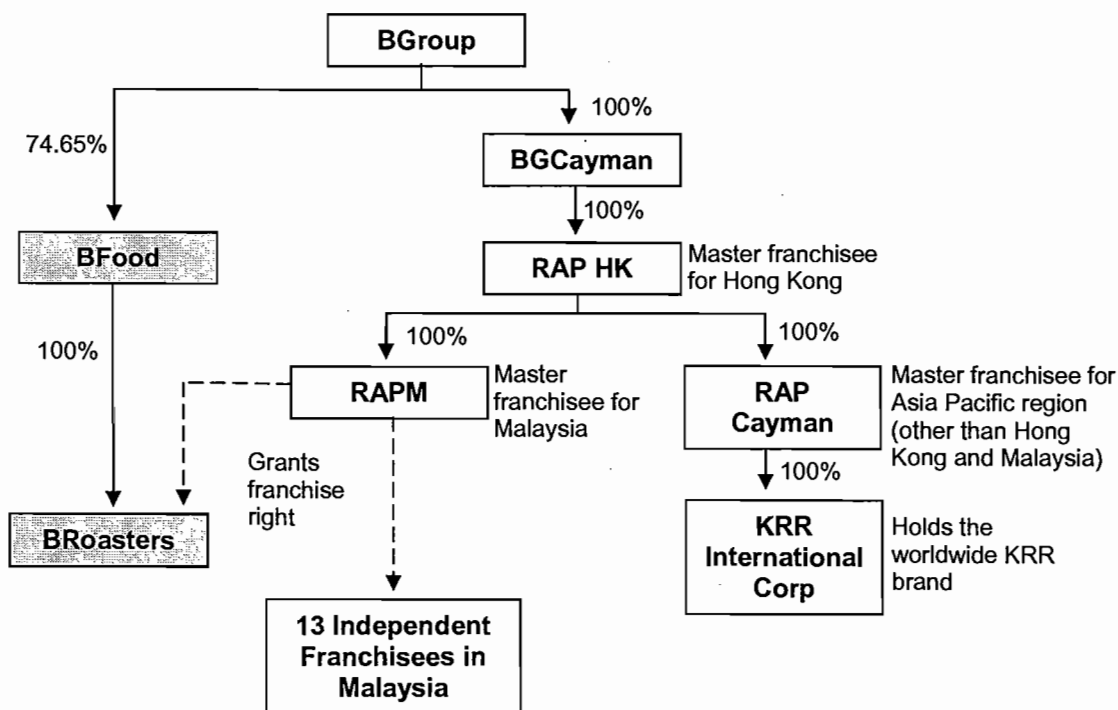
**1.1 HISTORY AND BUSINESS**

As at the date of this Prospectus, the structure of the Group is as follows:-



BFood was incorporated in Malaysia under the Act as a private limited company on 21 October 2009 under its current name. It was converted into a public limited company on 3 December 2009. The business of BFood is that of an investment holding company. Through its wholly-owned subsidiary, BRoasters, the Group is principally engaged in the development (which includes *inter alia*, setting-up and expansion of new KRR restaurants) and operation of the KRR chain of restaurants in Malaysia vide a MDA entered into between BRoasters and RAPM, a wholly-owned subsidiary of BGroup. Prior to the Acquisition, BRoasters was a wholly-owned subsidiary of BGroup since its commencement of operations in 1994.

Pursuant to BGroup's, the holding company of BFood, completion of the acquisition of KRR International Corp in April 2008, BGroup effectively holds the worldwide KRR brand including the KRR franchise. The relationship between BGroup, KRR International Corp, RAPM and BFood upon Listing is depicted in the diagram below:-



## 1. INFORMATION SUMMARY

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BRoasters had, pursuant to the MDA, obtained the franchise to develop and operate KRR restaurants in Malaysia on a non-exclusive basis with first right of refusal in respect of any franchise proposed to be granted by RAPM within Malaysia to third parties (i.e. Independent Franchisees). Pursuant to a separate agreement in 2004, it was agreed that RAPM may from time to time during the tenure of the MDA, grant franchises to third parties (i.e. Independent Franchisees), subject to RAPM obtaining BRoasters' prior consent as to the location or site of the restaurant proposed to be operated by third parties. As at the LPD, there are thirteen (13) Independent Franchisees-owned restaurants in Malaysia.

In February 2008, BRoasters and RAPM entered into a supplemental agreement to the MDA pursuant to which the parties agreed that BRoasters' franchise right under the MDA shall thenceforth continue on an exclusive basis with the right to grant franchises to third parties in Malaysia. Hence, RAPM's right to grant further franchises to third parties in Malaysia accordingly ceased. With this, BRoasters became the sole franchisee of RAPM in respect of the development and operation of KRR restaurants in Malaysia, save for the abovementioned thirteen (13) Independent Franchisees-owned restaurants.

As master franchisee of the KRR brand in Malaysia, RAPM's primary role is to act as custodian of the KRR standard of operations and procedures (inclusive of consistent application of the KRR marks and logo) and to ensure strict adherence/compliance of such standards and procedures by the sub-franchisees (namely, BRoasters and the Independent Franchisees).

Whilst BRoasters' primary activities include the setting-up and expansion of new KRR restaurants and the operation of its KRR chain of restaurants in Malaysia, BRoasters is also responsible for amongst others, the development of the KRR brand in Malaysia (via advertising and promotional activities), introduction of new menu items (with the consent from RAPM), and acting as the central procurement agent, on behalf of all KRR restaurants in Malaysia.

Since the opening of its first restaurant in November 1994 which marks the commencement of the KRR franchise in Malaysia, BRoasters has successfully built a nationwide restaurant network in Malaysia. As at the LPD, BRoasters has 51 restaurants located throughout Malaysia.

The Group's restaurants feature rotisserie roasted chicken as their main core product complemented by a variety of hot and cold side dishes and KRR's famous muffins, jacket potatoes, vegetable salads, pasta, soups, desserts and beverages served in a friendly and comfortable environment. All the KRR restaurants in Malaysia serve their customers in a full service, mid-casual dining concept, with free "Wi-Fi" services, providing customers with wholesome dining experience.

In line with BRoasters' tagline "Less Fat...., Less Salt...., Less Calories....", BRoasters serves wholesome, hearty and well-balanced meal which mirrors today's discerning consumers' changing attitude towards healthy eating lifestyle. BRoasters' rotisserie style of cooking allows the meat to be cooked evenly in its own juices allowing the fats to be drained away while maximizing the retention of juices and nutrients. BRoasters' signature rotisserie chicken is a healthier alternative and less fattening in comparison to other methods of cooking.

In 2005, BRoasters began playing its role as a responsible corporate citizen by placing greater emphasis on its corporate social responsibility programmes such as the Roasters Health Watch Programme, the KRR Community Chest, the Wishing Tree Project and the Roasters Chicken Run, all of which are organised on an annual basis. The entire proceeds received from these events were donated to selected charitable organisations in Malaysia.

Further details on the Group and its business are set out in Section 4 and Section 5 of this Prospectus.

## 1. INFORMATION SUMMARY

### 1.2 COMPETITIVE STRENGTHS

The Group's success and future prospects in the food service industry are bolstered by a combination of strengths and advantages, namely:-

- (a) Experienced senior management team;
- (b) Nationwide restaurant presence with international branding;
- (c) Healthy eating concept;
- (d) Good portion/value for money; and
- (e) Fresh new contemporary ambience.

Further details on the Group's competitive strengths are set out in Section 5.5 of this Prospectus.

### 1.3 PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

The Promoter, substantial shareholders, Directors and key management personnel of the Group are as listed below:-

Name	Role/Designation
<b><u>Promoter of BFood</u></b>	
BGroup	Promoter and substantial shareholder of BFood
<b><u>Substantial shareholders of BFood</u></b>	
BGroup	Promoter and substantial shareholder of BFood
BCorporation	Substantial shareholder via BGroup
TSVT	Substantial shareholder via BCorporation
<b><u>Directors of BFood</u></b>	
Dato' Robin Tan Yeong Ching	Executive Chairman
Dato' Lee Kok Chuan	Chief Executive Officer
Datuk Zainun Aishah Binti Ahmad	Independent Non-Executive Director
Dato' Mustapha Bin Abd Hamid	Independent Non-Executive Director
Tan Thiam Chai	Non-Independent Non-Executive Director
<b><u>Key management of BRoasters</u></b>	
Lee Siew Weng	Senior General Manager
Lee Siew Fei	General Manager
Lim Shii Chair	Deputy General Manager
Foo Yuet Sim	Senior Finance & Administration Manager
Woo Sow Yee	Senior Brand Manager
Robert Hing Chee Cheow	Project Manager

Further details on the Promoter, substantial shareholders, Directors and key management personnel of BFood are set out in Section 7 of this Prospectus.

**1. INFORMATION SUMMARY****1.4 FINANCIAL HIGHLIGHTS****Proforma Consolidated Statements of Comprehensive Income**

The following table summarises proforma consolidated statements of comprehensive income of the Group for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010. The proforma consolidated statements of comprehensive income have not been audited and have been prepared for illustrative purposes only to show the aggregate results of the Group. The proforma consolidated statements of comprehensive income should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 10.6 of this Prospectus.

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009 <sup>(e)</sup>	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	27,308	30,554	42,403	51,896	60,415	17,172	22,405
<b>Cost of sales</b>	(17,103)	(19,161)	(27,155)	(33,178)	(37,783)	(11,313)	(13,607)
<b>Gross profit</b>	10,205	11,393	15,248	18,718	22,632	5,859	8,798
<b>Other income</b>	2,931	3,052	5,714	10,640 <sup>(d)</sup>	7,474	2,260	2,469
<b>Administrative expenses</b>	(9,543)	(10,528)	(12,601)	(15,770)	(19,705)	(5,983)	(7,064)
<b>Operating profit</b>	3,593	3,917	8,361	13,588	10,401	2,136	4,203
<b>Finance costs</b>	(50)	(71)	*	-	-	-	-
<b>PBT</b>	3,543	3,846	8,361	13,588	10,401	2,136	4,203
<b>Taxation</b>	(1,639)	(774)	(1,672)	(974)	(1,721)	149	(939)
<b>PAT</b>	1,904	3,072	6,689	12,614	8,680	2,285	3,264
<b>Other comprehensive items</b>	-	-	-	-	-	-	-
<b>Total comprehensive income for the year/period</b>	<b>1,904</b>	<b>3,072</b>	<b>6,689</b>	<b>12,614</b>	<b>8,680</b>	<b>2,285</b>	<b>3,264</b>
<b>Attributable to:</b>							
- Equity holders of BFood	1,904	3,072	6,689	12,614	8,680	2,285	3,264
- Minority interest	-	-	-	-	-	-	-
<b>No. of Shares <sup>(a)</sup></b>	141,348	141,348	141,348	141,348	141,348	141,348	141,348

**1. INFORMATION SUMMARY**

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009 <sup>(e)</sup>	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>EPS</b>							
- Basic <sup>(b)</sup> (sen)	1.35	2.17	4.73	8.92	6.14	1.62	2.31
- Basic assuming full exercise of ESOS <sup>(c)</sup> (sen)	1.28	2.06	4.50	8.48	5.83	1.54	2.19
<b>EBITDA</b>	4,681	5,582	10,312	16,598	14,535	3,333	5,729
<b>Gross profit margin (%)</b>	37.37	37.29	35.96	36.07	37.46	34.12	39.27
<b>PBT margin (%)</b>	12.97	12.59	19.72	26.18	17.22	12.44	18.76
<b>PAT margin (%)</b>	6.97	10.05	15.77	24.31	14.37	13.31	14.57

**Notes:-**

- \* Less than RM1,000
- (a) Assuming the Group had been in existence
- (b) Computed based on PAT attributable to equity holders of BFood over the issued and paid-up share capital of 141,348,000 Shares
- (c) For illustrative purposes only, computed based on PAT attributable to equity holders of BFood over the enlarged issued and paid-up share capital of 148,787,000 Shares assuming full exercise of ESOS Options
- (d) Includes gain on disposal of PPE amounted to approximately RM4.4 million
- (e) Stated for comparison purposes only

**Proforma Consolidated Statements of Financial Position**

The proforma consolidated statements of financial position of the Group as at 31 August 2010 set out below has been prepared solely for illustrative purposes, to show the effects of the Listing Scheme had the Listing Scheme been implemented and completed on 31 August 2010. The proforma consolidated statements of financial position should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' letter on the Proforma Consolidated Financial Information set out in Section 10.6 of this Prospectus.

	Audited	Proforma I	Proforma II	Proforma III After Proforma II and upon full exercise of ESOS Options <sup>(b)</sup>
	As at 31.08.2010 RM'000	After the Acquisition RM'000	After Proforma I and upon Listing <sup>(a)</sup> RM'000	RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
PPE	-	18,372	18,372	18,372
Goodwill	-	986	986	986
	-	<u>19,358</u>	<u>19,358</u>	<u>19,358</u>

**1. INFORMATION SUMMARY**

	Audited	Proforma I	Proforma II	Proforma III After Proforma II and upon full exercise of ESOS Options <sup>(b)</sup>
	As at 31.08.2010 RM'000	After the Acquisition RM'000	After Proforma I and upon Listing <sup>(a)</sup> RM'000	RM'000
<b>Current assets</b>				
Inventories	-	2,024	2,024	2,024
Trade and other receivables	-	12,001	5,177	5,177
Tax recoverable	-	336	336	336
Cash and bank balances	-	20,131	26,247	30,041
	-	34,492	33,784	37,578
<b>TOTAL ASSETS</b>	-	<b>53,850</b>	<b>53,142</b>	<b>56,936</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the Company</b>				
Share capital	*	70,674	70,674	74,394
Reserves	(395)	(27,223)	(27,537)	(27,463) <sup>(c)</sup>
<b>Total equity</b>	(395)	<b>43,451</b>	<b>43,137</b>	<b>46,931</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	-	2,201	2,201	2,201
Provision for restoration costs	-	966	966	966
	-	3,167	3,167	3,167
<b>Current liabilities</b>				
Trade and other payables	395	7,088	6,694	6,694
Provision for restoration costs	-	144	144	144
	395	7,232	6,838	6,838
<b>Total liabilities</b>	395	<b>10,399</b>	<b>10,005</b>	<b>10,005</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	-	<b>53,850</b>	<b>53,142</b>	<b>56,936</b>
<b>(NL)/NA per Share (RM)</b>	<b>(98,750)</b>	<b>0.31</b>	<b>0.31</b>	<b>0.32</b>
<b>(NTL)/NTA per Share (RM)</b>	<b>(98,750)</b>	<b>0.30</b>	<b>0.30</b>	<b>0.31</b>

**Notes:-**

\* Amount less than RM1,000 (i.e. RM2 representing 4 Shares)

(a) Includes settlement of inter-company advances by BGroup amounting to approximately RM6.4 million prior to Listing and after deducting the estimated listing expenses amounting to approximately RM0.7 million

(b) Based on 7,439,000 new Shares issued representing approximately 5% of the enlarged issued and paid-up share capital of BFood

(c) Assuming an exercise price of RM0.51 for each ESOS Option after deducting the expenses incidental to the grant of ESOS Options amounting to approximately RM0.6 million

Further details on the Group's financial information are set out in Section 10 of this Prospectus.

**1. INFORMATION SUMMARY****1.5 PRINCIPAL STATISTICS RELATING TO THE OFFER FOR SALE**

Description	No. of Shares	Share capital RM
<b>Authorised share capital</b>	1,200,000,000	600,000,000
<b>Existing issued and fully paid-up share capital</b>	<b>141,348,000</b>	<b>70,674,000</b>
New Shares to be issued upon full exercise of ESOS Options *	7,439,000	3,719,500
<b>Enlarged share capital upon full exercise of ESOS Options</b>	<b>148,787,000</b>	<b>74,393,500</b>
<b>Existing Shares to be offered for sale</b>	<b>35,837,000</b>	<b>17,918,500</b>
<b>Offer Price per Share</b>		RM0.51
- <b>Proforma consolidated NA per Share</b> (based on proforma consolidated statement of financial position upon Listing)		RM0.31
- <b>Proforma consolidated NTA per Share</b> (based on proforma consolidated statement of financial position upon Listing)		RM0.30
- <b>Market capitalisation</b> (based on the Offer Price and existing issued and paid-up share capital of BFood)		RM72,087,480

**Note:-**

\* Based on approximately 5% of the enlarged issued and paid-up share capital of BFood

Further details on the Offer For Sale are set out in Section 2 of this Prospectus.

**1.6 UTILISATION OF PROCEEDS**

The gross proceeds arising from the Offer For Sale amounting to approximately RM18.3 million shall accrue entirely to the Offeror and no part of the proceeds will be received by the Company.

The Company will bear all expenses in relation to the Listing such as professional fees and fees to the authorities estimated at RM0.7 million.

All other expenses and fees incidental to the Offer For Sale, including fees to authorities, professional fees, printing and advertising fees, brokerage, commissions, underwriting fees, placement fees and miscellaneous expenses, estimated to be RM1.7 million will be borne by the Offeror.



## 1. INFORMATION SUMMARY

### 1.7 RISK FACTORS

In evaluating an investment in the Offer Shares, investors should carefully consider all information contained in this Prospectus, which are not exhaustive, including but not limited to the following general and specific risks:-

#### Risks Relating to the Group's Business and Operations

- (a) Terms of the MDA
- (b) Independent Franchisees' operations may impact the Group
- (c) Availability, quality and price fluctuations of food ingredients
- (d) Food safety standards
- (e) Public liability insurance coverage
- (f) Rental fluctuations
- (g) Dependence on the KRR product offerings
- (h) Uncertainties associated with the expansion of the Group's business
- (i) Dependence of Directors and key personnel
- (j) Rules, regulations and controls
- (k) Breakout of fire, energy crisis and other emergency crisis

#### Risks Relating to the Industry in which the Group Operates

- (a) Intense competition
- (b) Inability to anticipate changes in consumer preferences
- (c) Outbreak of diseases
- (d) Changes in political, economic and regulatory conditions
- (e) Limitation of strategic locations

#### Risks Relating to Investment in BFood Shares

- (a) No prior market for the Shares and an active market for the Shares may not develop
- (b) Ownership and control by existing shareholder
- (c) Possible funding requirement for future growth
- (d) Forward-looking statements
- (e) Failure or delay in Listing

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## **2. PARTICULARS OF THE OFFER FOR SALE**

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### **2.1 INTRODUCTION**

This Prospectus is dated 18 February 2011.

No securities will be allotted or issued on the basis of this Prospectus later than twelve (12) months from the date of this Prospectus.

A copy of this Prospectus has been registered with the SC and lodged with the Registrar of Companies, both of whom take no responsibility for its contents.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed the Shares as Prescribed Securities. In consequence thereof, the Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Central Depositories Act and the Rules of Bursa Depository.

The approval of the SC for the Offer For Sale which was obtained vide its letter dated 21 December 2010 shall not be taken to indicate that the SC recommends the offering or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. The SC shall not be liable for any non-disclosure on the part of the Company and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

On 26 January 2011, the SAC, for the purpose of the Offer For Sale and the Listing, has classified the Company's securities as shariah-compliant based on the proforma consolidated financial statements of the Group for the latest financial year ended 30 April 2010. This classification remains valid until the next shariah compliance review is undertaken by the SAC. The new status is released in the updated list of shariah-compliant securities, on the last Friday of May and November.

The Company has obtained the approval-in-principle of Bursa Securities for the Listing, including the listing of and quotation for all the new Shares to be issued pursuant to the exercise of ESOS Options, on the Main Market of Bursa Securities. The Listing will commence after, amongst others, the Company has received confirmation from Bursa Depository that the new Shares are ready for crediting into the securities accounts of successful applicants and the Company has made the relevant announcements as required under the Listing Requirements. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of the Offer For Sale, the Company or the Shares.

The acceptance of applications for the Shares is conditional upon the Listing becoming effective. If Listing does not become effective within six (6) weeks from the date of this Prospectus (or such longer period as may be specified by the SC), provided that the Company is notified by Bursa Securities within the aforesaid timeframe, all monies paid in respect of any application accepted will be return in full, without interest to the applicants, at the applicants' own risk. If any such monies are not return within 14 days after the Company becomes liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

## 2. PARTICULARS OF THE OFFER FOR SALE

Pursuant to the Listing Requirements, the Company is required to comply with the public spread requirements as determined by Bursa Securities, whereby the Company is required to have a minimum of 25% of the Shares for which Listing is sought to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon completion of the Offer For Sale and at the time of Listing. In the event that the above requirement is not met, the Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full without interest at the applicants' own risk and if such monies are not returned in full within 14 days after the Company becomes liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

No person is authorised to give any information or to make any representation not contained herein in connection with the Offer For Sale and if given or made, such information or representation must not be relied upon as having been authorised by the Company. Neither the delivery of this Prospectus nor any Offer For Sale made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company since the date hereof. Nonetheless, should the Company becomes aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of the Listing, the Company shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

The distribution of this Prospectus and the making of the Offer For Sale in certain jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of the Offer Shares are subject to Malaysian laws and the Company takes no responsibility for the distribution of this Prospectus and the offer of any part of the Offer Shares outside Malaysia, which may be restricted by law in certain other jurisdictions. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Offer Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

**Investors should rely on their own evaluation to assess the merits and risks of the investment. In considering the investment, investors who are in any doubt as to the action to be taken, should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.**

### 2.2 OPENING AND CLOSING OF APPLICATIONS

The application period for the Offer Shares will open at 10.00 a.m. on 18 February 2011 and will remain open until 5.00 p.m. on 25 February 2011, or such other date or dates as the Directors of the Company and the Offeror in their absolute discretion may mutually decide.

### 2.3 INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:-

Event	Date
Opening date of the applications for the Offer For Sale	10.00 a.m. on 18 February 2011
Closing date of the applications for the Offer For Sale	5.00 p.m. on 25 February 2011
Balloting of applications for the Offer Shares	1 March 2011
Transfer and allocation of the Offer Shares to successful applicants	4 March 2011
Listing	8 March 2011

## 2. PARTICULARS OF THE OFFER FOR SALE

The application period for the Offer Shares will open and close on the time and date stated above or such other date or dates as the Directors of the Company and the Offeror in their absolute discretion may mutually decide.

In the event that the closing date of the applications for the Offer Shares be extended, the dates for the balloting, transfer and allocation of the Offer Shares and the Listing will be extended accordingly. Any extension of the abovementioned dates will be announced by way of advertisement in a widely circulated daily Bahasa Malaysia and English newspaper in Malaysia.

### 2.4 SHARE CAPITAL AND RIGHTS ATTACHING TO THE OFFER SHARES

As at the LPD, there is only one (1) class of shares in BFood, being ordinary shares of RM0.50 each, the details of which are as follows:-

Description	Share capital	
	No. of Shares	RM
Authorised share capital	1,200,000,000	600,000,000
Existing issued and fully paid-up share capital	141,348,000	70,674,000
Existing Shares to be offered for sale	35,837,000	17,918,500

Subject to any special rights attaching to any share which the Company may issue in the future, the holders of the Company's Shares shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in whole of the profits paid out by the Company as dividends and other distributions, and in respect of surplus in the event of the Company's liquidation, in accordance with the Articles of Association of the Company.

At every general meeting, each shareholder shall be entitled to vote in person, by proxy or by attorney. On a show of hands, each present shareholder or representative, proxy or attorney of a shareholder shall have one (1) vote. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member of the Company.

### 2.5 PURPOSES OF THE OFFER FOR SALE

The objectives of the Offer For Sale are as follows:-

- (a) To provide an opportunity for the investing community, including the Malaysian public, eligible employees of the Group, Directors and persons who have contributed to the success of the Group, to participate in the future performance of the Group by way of equity participation;
- (b) To facilitate the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Market of Bursa Securities;
- (c) To enable the Company to access the capital market in the future to provide the Company with the financial flexibility to pursue growth opportunities; and
- (d) To further enhance the corporate reputation of the Group, brand recognition and awareness of the Group's products, and assist in the expansion of the Group's customer base.

## 2. PARTICULARS OF THE OFFER FOR SALE

### 2.6 DETAILS OF THE OFFER FOR SALE

The Offer Shares comprising 35,837,000 Shares representing 25.35% of the issued and paid-up share capital of the Company will be allocated in the following manner, subject to the terms and conditions of this Prospectus:-

- (a) 14,134,800 Offer Shares representing 10.00% of the issued and paid-up share capital of the Company have been reserved for private placement to Bumiputera investors approved by MITI;
- (b) 9,734,800 Offer Shares representing 6.89% of the issued and paid-up share capital of the Company have been reserved for private placement to selected investors;
- (c) 3,533,700 Offer Shares representing 2.50% of the issued and paid-up share capital of the Company have been made available for the Bumiputera public via balloting;
- (d) 3,533,700 Offer Shares representing 2.50% of the issued and paid-up share capital of the Company have been made available to the Malaysian public via balloting; and
- (e) 4,900,000 Offer Shares representing 3.46% of the issued and paid-up share capital of the Company have been made available via Pink Form Shares Allocation, for application by the eligible Directors, employees and business associates of the Group.

As at the LPD, the total number of persons eligible for the Pink Form Shares Allocation is 493 comprising the Directors, employees and business associates of the Group.

The Offer Shares have been allocated to the eligible employees of BFood Group based on, amongst others, the following criteria as approved by the Company's Board of Directors:-

- (i) At least eighteen (18) years old;
- (ii) Job designation; and
- (iii) Length of service.

The Pink Form Shares Allocation to the eligible Directors of the Group are as set out below.

Name of Directors	Designation	Pink Form Shares Allocation (No. of Shares)
Dato' Robin Tan Yeong Ching	Executive Chairman	100,000
Dato' Lee Kok Chuan	Chief Executive Officer	100,000
Datuk Zainun Aishah Binti Ahmad	Independent Non-Executive Director	100,000
Dato' Mustapha Bin Abd Hamid	Independent Non-Executive Director	100,000
Tan Thiam Chai	Non-Independent Non-Executive Director	100,000
<b>Total</b>		<b>500,000</b>

The Offer Shares have been allocated to the business associates of the BFood Group after taking into consideration, *inter alia*, their length of business relationship with the Group and their contribution to the success of the Group.

**2. PARTICULARS OF THE OFFER FOR SALE**

In summary, the Offer Shares have been allocated in the following manner:-

	<b>No. of Shares</b>	<b>% of share capital</b>
Bumiputera investors approved by MITI	14,134,800	10.00
Selected investors	9,734,800	6.89
Public balloting		
- Bumiputera public	3,533,700	2.50
- Malaysian public	3,533,700	2.50
Eligible Directors, employees and business associates of BFood Group	4,900,000	3.46
<b>Total Offer Shares</b>	<b>35,837,000</b>	<b>25.35</b>

Should there be an under-subscription for the Offer Shares by the Bumiputera investors approved by MITI, such unsubscribed Offer Shares shall be made available for application by the Bumiputera public via balloting. In addition to the 3,533,700 Offer Shares made available for application by the Bumiputera public via balloting, any further unsubscribed Offer Shares remaining after the subsequent offer will be made available for application by the Malaysian public on a fair and equitable manner and/or selected investors via private placement. All the 7,067,400 Offer Shares made available via public balloting have been fully underwritten.

The 9,734,800 Offer Shares to be allocated by way of private placement to selected investors are not underwritten as irrevocable undertakings have been obtained from them to subscribe for the Offer Shares. The 14,134,800 Offer Shares made available to the Bumiputera investors approved by MITI are not underwritten.

Any Offer Shares not subscribed by the Directors, employees and/or business associates of the Group will be made available to the Malaysian public. All the 4,900,000 Offer Shares made available to the Directors, employees and business associates of BFood Group have been fully underwritten.

There is no minimum subscription amount to be raised in order to satisfy the objectives of the Listing.

BGroup is the Offeror for the Offer For Sale. Details of BGroup are set out in Section 7.1.2 of this Prospectus.

**2.7 DILUTION**

The dilution on a per Share basis pursuant to the Listing Scheme has been illustrated in the following table:-

	<b>RM</b>
Offer Price	0.51
Proforma consolidated NA per Share as at 31 August 2010, after the Acquisition	0.31
Proforma consolidated NA per Share as at 31 August 2010, upon Listing <sup>(a)</sup>	0.31
Dilution in NA <sup>(b)</sup> per Share to new investors	0.20
Dilution in NA per Share to new investors as a percentage of the Offer Price	39.2%

**Notes:-**

(a) After deducting estimated Listing expenses amounting to approximately RM0.7 million or RM0.005 per Share

## 2. PARTICULARS OF THE OFFER FOR SALE

- (b) *The "dilution in NA per Share" is arrived at based on the difference between the Offer Price and the proforma consolidated NA per Share and is computed solely for illustrative purposes. As stated in Section 2.8 of this Prospectus, the Offer Price was determined after taking into consideration, amongst others, the Group's future plans and strategies, business growth potential, the outlook of the food service industry and the price-earnings multiple of the Group*

The Offer Price of RM0.51 per Share is applicable to all parties applying for the Offer Shares.

Details of the acquisition of BFood Shares by BGroup and new investors pursuant to the Offer For Sale, including the number of BFood Shares acquired, the purchase consideration paid and the average cost per Share, are set out below:-

	No. of Shares	Total consideration	Average cost per Share
		RM	RM
<b>Substantial shareholder</b> BGroup	141,348,000 <sup>(a)</sup>	72,087,480	0.51 <sup>(b)</sup>
<b>New investors<sup>(c)</sup></b> Offer For Sale	35,837,000	18,276,870	0.51

**Notes:-**

- (a) *Includes the 4 Shares which were acquired by BGroup from the initial subscribers*  
 (b) *Being BGroup's cost per Share for the Acquisition. BGroup's total cost of investment in BRoasters was RM17.0 million*  
 (c) *The new investors will emerge pursuant to the Offer For Sale*  
 (d) *BFood's ESOS will be effective upon Listing*

Save as disclosed above, there has been no other equity transaction and/or right to acquire BFood Shares by the Directors, key management personnel, substantial shareholders and other investors from the date of BFood's incorporation up to the date of this Prospectus.

### 2.8 BASIS OF ARRIVING AT THE OFFER PRICE

The Offer Price of RM0.51 was determined after taking into consideration, amongst others, the following factors:-

- (a) The Group's operating and financial history and position as outlined in Section 10 of this Prospectus;
- (b) The Group's competitive strengths and advantages as listed in Section 5.5 of this Prospectus;
- (c) The Group's future plans and strategies as set out in Section 6.11.1 of this Prospectus and the business growth potential of the Group;
- (d) The pace of growth of the Malaysian economy, which is expected to be moderate. An overview of the Malaysian economy is set out in Section 6.2 of this Prospectus;
- (e) Outlook of the food service industry as set out in Section 6.3 of this Prospectus;
- (f) The price-earnings multiple of 8.3 times based on the Group's proforma earnings per Share of 6.14 sen for the FYE 2010; and
- (g) The Group's proforma consolidated NA as at 31 August 2010 upon Listing of RM0.31 per Share.

Applicants should also note that the market price of the Shares upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the price of the Shares.

## 2. PARTICULARS OF THE OFFER FOR SALE

Applicants are reminded to consider carefully the risk factors as set out in Section 3 of this Prospectus before deciding to invest in the Shares.

### 2.9 MARKET CAPITALISATION

The market capitalisation of the Company upon Listing is estimated at approximately RM72.1 million based on the Offer Price of RM0.51 per Share and the issued and paid-up share capital comprising 141.3 million Shares upon Listing.

### 2.10 UTILISATION OF PROCEEDS

The gross proceeds arising from the Offer For Sale amounting to approximately RM18.3 million shall accrue entirely to the Offeror and no part of the proceeds will be received by the Company.

The Company will bear all expenses in relation to the Listing estimated at approximately RM0.7 million, detailed as follows:-

Estimated listing expenses	Amount RM'000
Fees to authorities	40
Professional fees	536
Other incidental or related expenses and contingencies in connection with the Listing	84
<b>TOTAL</b>	<b>660</b>

All other expenses and fees incidental to the Offer For Sale, including fees to authorities, professional fees, printing and advertising fees, brokerage, commission, underwriting fees, placement fees and miscellaneous expenses, estimated to be approximately RM1.7 million will be borne by the Offeror.

### 2.11 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

#### (a) Brokerage

Brokerage is payable by the Offeror in respect of the Offer Shares, at the rate of 1.0% of the Offer Price of RM0.51 per Offer Share in respect of successful applications which bear the stamp of participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or MIH.

#### (b) Underwriting Commission

The Offeror will pay the Managing Underwriter and Underwriters a total managing underwriting and underwriting commission of 2.25% of the value of the underwritten Offer Shares under Sections 2.6(c), (d) and (e) (being an amount equal to the Offer Price multiplied by the number of Offer Shares underwritten).



## 2. PARTICULARS OF THE OFFER FOR SALE

### (c) Placement Fee

The Offeror will pay the Placement Agents a total arranger fee and placement commission at the rate of 2.4% of the value of the Offer Shares to be placed out under Section 2.6(b) herein (being an amount equal to the Offer Price multiplied by the number of Offer Shares placed out).

### 2.12 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The Offeror and the Underwriters have on 28 January 2011 entered into the Underwriting Agreement pursuant to which the Underwriters have agreed to underwrite up to an aggregate of 11,967,400 Offer Shares (collectively, the “**Underwritten Shares**”) to be offered pursuant to the Offer For Sale. The Underwriting Agreement contains certain provisions which allow the Underwriters under certain circumstances, to withdraw from their obligations under the Underwriting Agreement.

Amongst others, the Managing Underwriter may by notice in writing to the Offeror given at any time before the closing date of the applications for the Offer Shares, terminate and cancel and withdraw the commitment of the Underwriters to underwrite the Underwritten Shares if, amongst others:-

- (a) any of the conditions precedent set out in the Underwriting Agreement are not duly satisfied by the closing date of the applications for the Offer Shares or waived in accordance with the terms of the Underwriting Agreement; or
- (b) there is any breach by the Offeror of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Managing Underwriter within ten (10) Market Days or such longer period as may be agreed by the Managing Underwriter, from the date the Offeror is notified by the Managing Underwriter of such breach; or
- (c) there is failure on the part of the Offeror to perform any of its obligations contained in the Underwriting Agreement; or
- (d) there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Managing Underwriter, would have a material adverse effect on the business or operations of the Group, the success of the Offer for Sale, or the distribution or sale of the Offer Shares; or
- (e) there shall have occurred, or happened any material and adverse change in the business or financial condition of BFood; or
- (f) there shall have occurred, or happened any of the following circumstances:-
  - (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rates (including but not limited to conditions on the stock market in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing;

**2. PARTICULARS OF THE OFFER FOR SALE**

- (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of God, national disorder, declaration of a state of national emergency, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);
- (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on Bursa Securities due to exceptional financial circumstances or otherwise; or
- (iv) the Bursa Securities' composite index falling below 1,200 points and remains below 1,200 points for five (5) consecutive Market Days based on the closing market price at any time between the date of the Underwriting Agreement and the closing date of the applications for the Offer Shares.

which, would have or can reasonably be expected to have, in the reasonable opinion of the Managing Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of BFood or the Group as a whole, the success of the Offer for Sale, or the distribution or sale of the Offer Shares, or which has or is reasonably likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

In addition, the obligations of the Underwriters under the Underwriting Agreement are subject to various conditions precedent, including, but not limited to the following:-

- (a) the approvals of the SC and the Bursa Securities in relation to the Listing not having been withdrawn and all conditions to such approvals having been complied with (save for those which can only be complied with after Listing has taken place) upon terms acceptable to the Managing Underwriter; and
- (b) the delivery by the Offeror to the Managing Underwriter of certain corporate resolutions and authorisations in relation to the Offer for Sale and the Listing, and certain certificates confirming the truth, accuracy and correctness of the representations and warranties given by the Offeror in the Underwriting Agreement in relation to BFood and/or its subsidiary.

In the event any of the conditions in the Underwriting Agreement is not satisfied or waived in accordance with the terms therein, the Managing Underwriter shall thereupon be entitled to terminate the Underwriting Agreement by notice in writing given to the Offeror on or prior to the closing date of the applications for the Offer Shares.

### 3. RISK FACTORS

In evaluating an investment in the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus including but not limited to the following general and specific risk factors.

#### 3.1 RISKS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS

##### (a) Terms of the MDA

The Group does not own the KRR franchise and brand but has been granted the right by RAPM pursuant to the MDA to use the KRR brandname. As such the Group's operations in Malaysia are highly dependent on the terms of the MDA with RAPM pursuant to which the Group had secured an exclusive franchise (with effect from February 2008) through BRoasters for its operations of KRR restaurants in Malaysia for an initial term of twenty-five (25) years from 1 January 2004. The MDA may be extended for a further twenty-five (25) years subject to certain terms and conditions. Pursuant to the MDA, although RAPM is not entitled to unilaterally terminate the MDA without cause, it may terminate the MDA under, amongst others, any of the following circumstances:-

- (i) BRoasters fails to open a minimum of twenty five (25) restaurants or an average of one (1) restaurant per year during the initial twenty five (25) years term;
- (ii) BRoasters fails to maintain the high standards of quality and service of restaurants it operates or to comply with all mandatory specifications, standard and operating procedures relating to the operation of restaurants ("**System Standards**");
- (iii) BRoasters fails to diligently and continuously monitor compliance with the System Standards by all restaurants and to furnish assistance to correct deficiencies in operation;
- (iv) BRoasters carries out any business or advertising practice which may be injurious to the business of RAPM or BRoasters and the goodwill associated with the trademarks, service marks and trade dress, of KRR and the restaurants; and
- (v) BRoasters fails to secure and maintain in force in its name all required licenses, permits, and certificates necessary for the performance of its obligations under the MDA.

In the event that the MDA is terminated, the Group will not be able to continue its operations under the KRR brand name. Nevertheless, the Group has been using its best endeavours to ensure compliance with the terms of the MDA and the Group will seek immediate remedial actions to rectify or address any non-compliance in the MDA that may arise.

##### (b) Independent Franchisees' Operations May Impact the Group

As at the LPD, there are thirteen (13) Independent Franchisees-owned restaurants in Malaysia. Whilst RAPM supervises the operations of the Independent Franchisees-owned restaurants, they are independent operators and have a reasonable amount of flexibility in running their operations, including the hiring of restaurant personnel. In view thereof, the Group has no control over the operations of the Independent Franchisees-owned restaurants.

### 3. RISK FACTORS

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Independent Franchisees may not successfully operate restaurants in a manner consistent with the Group's standards and requirements. Such event, if occurs, may impact the reputation of the Group as customers visiting KRR restaurants in Malaysia may not be able to differentiate restaurants owned by the Group and those managed by the Independent Franchisees.

As a mitigating factor, RAPM has in place strict standards and requirements which are consistent with the Group's standards and requirements and occasionally conducts routine visits on the Independent Franchisees.

#### (c) **Availability, Quality and Price Fluctuations of Food Ingredients**

The Group's chain of restaurants is highly dependent on the consistent supply of food ingredients that meet its quality requirements. The supply of food ingredients may be affected by external factors such as the outbreak of diseases, the occurrence of natural disasters (e.g. floods, landslides etc) or other disruption on a significant scale.

Fluctuations in the supply of food ingredients will affect the market price of these food ingredients. A significant increase in the market prices of food ingredients will have an adverse effect on the Group's profit margins and financial results should the Group be unable to pass on such increase to its customers.

The Group procures all its food ingredients from third party suppliers. Any prolonged disruptions in the supply of food ingredients and/or that the food ingredients do not satisfy the stringent quality requirements as required by the Group, will have an impact on the overall business operations. Under such unlikely/rare circumstances, the Group will source for alternative suppliers locally and/or overseas to ensure the smooth running of its business operations and to provide high quality products to its customers.

Being in the food services industry, the Group is also dependent on the prompt delivery and quality transportation of raw material. Disruptions such as adverse weather conditions, natural disasters and labour strikes could lead to delayed or lost deliveries to the Group's restaurants which may result in the loss of revenue. There may also be instances where the conditions of fresh, chilled or frozen food products, being perishable goods, may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation. This may result in a failure on the Group to provide quality food and services to customers, thereby damaging the Group's reputation.

Nevertheless, as mentioned in Section 5.6 of this Prospectus, the Group mitigates such factors by not being overly dependent on a single supplier and as such remains flexible to source its raw material from other suppliers should there be any delays in delivery. For the past five (5) years, the Group has not encountered any interruption in supply or quality issues in relation to its food ingredients.

#### (d) **Food Safety Standards**

Food contamination and deterioration are risks inherent to all food service providers. Given the nature of raw material used in the food production processes, in particular the contaminable and perishable nature, there exist the possibility of contamination and/or deterioration in raw material and food products during the production process. Any contamination or deterioration in raw material used or products sold by the Group may result in the raw material and products being unsafe for production and consumption respectively.

**3. RISK FACTORS**

This may lead to delays in production or delivery of the Group's products to its customers, loss in revenue, increase in associated costs of production and/or payment of compensation to customers for delays, which in turn may materially and adversely affect the Group's reputation, business and financial performance. As a mitigating factor, the Group has in place a contingency system whereby the nearby KRR restaurant(s) will be mobilised to assist the affected restaurant should such situation arises. For the past five (5) years, the Group has not encountered any contamination or deterioration of its raw material or food product which has caused a disruption in the operations of any of its KRR restaurant.

**(e) Public Liability Insurance Coverage**

The Group currently has in place a public liability insurance of at least RM1,000,000 for each restaurant which covers amongst others, bodily and personal injury, death and property damage caused by or occurring in connection with the conduct of the Group's business.

Being in the restaurants industry, the Group faces an inherent risk of food contamination and product liability claims. The restaurants' customers may file complaints and/or claims against the Group pertaining to the quality of food products served. Any such complaints and/or claims made, regardless of their nature and validity, may affect the reputation and the overall business of the Group. Additional costs may also be incurred in placating any customers or in engaging legal services to defend the Group's reputation.

Depending on the quantum involved, in the event the insurance coverage is inadequate to address the aforementioned costs, the Group may need to divert and/or raise sufficient resources, internally and/or externally, to address such shortfall. This may adversely affect the financial position and operational results of the Group.

Notwithstanding the above, the management believes that the Group has sufficient public liability insurance in place to cover all necessary claims as and when such claims arise.

**(f) Rental Fluctuations**

In view that all the Group's restaurants are operated on rented properties, the Group has significant exposure to the retail rental market. For each of the FYE 2006 to FYE 2010 and the FPE 31 August 2009 and FPE 31 August 2010, the Group's rental expenses represent between 50% to 56% of the total administrative expenses in the respective years/period. As rental expenses represent a significant portion of the total operating expenses of the Group, the Group's profitability may be adversely affected by any substantial increase in the rental expenses of the restaurant premises.

Most of the Group's tenancy agreements are for an initial period of three (3) years and contain an option to further extend for another two (2) terms of three (3) years each. Upon the expiry of the tenancy of a restaurant, the landlord will have the right to review and alter the terms and conditions of the tenancy agreement. Prior to the expiration of the tenancy agreement, the Group will negotiate with the landlord on the terms and conditions for the extension of the tenancy period with the landlord. However, there is no assurance that the tenancy agreement will be renewed or extended.

### 3. RISK FACTORS

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**(g) Dependence on the KRR Product Offerings**

The Group's performance is highly dependent on its single product offering, namely the product offerings of the KRR franchise, which is known for its rotisserie roasted chicken. Any material adverse changes to the market acceptance of the KRR brand and/or the change in consumers' preference to its product offerings may materially and adversely affect the Group's business and profitability.

Nevertheless, the Group believes that such risk is mitigated with an experienced management team that has been with the Group for many years to develop the KRR brand in Malaysia.

In addition, the Group has also taken and will continue to take appropriate measures which include introducing new and/or alternative menu items in its KRR restaurants such as meat/seafood products to diversify its product range, where necessary.

**(h) Uncertainties Associated with the Expansion of the Group's Business**

As part of its business strategy, the Group intends to expand its business by opening new restaurants and/or venture into other related investment opportunities (such as other food and beverages related businesses) in Malaysia.

Participation in new investment ventures involves various risks and may be affected by factors such as location of the new restaurants, approvals, licences and permits from local authorities and the availability of staff and skilled personnel.

There is no assurance that the operational performance of those new restaurants would satisfy the Group's expectations. In the event that any of the Group's new restaurants perform below expectations, the overall operational and financial results of the Group may be affected. As a mitigating factor, the Group has in place an experienced and qualified senior management team which understands the Group's restaurant business well and will continuously assess and evaluate the changing demands of the consumers before embarking on any further expansion plans for the Group.

**(i) Dependence of Directors and Key Personnel**

The Group's current and future performance is very much dependent on the continued efforts and abilities of its Directors and senior management, some of whom have been with the Group for a considerable period of time. Any unforeseen loss of services of any of these individuals without suitable and timely replacements may temporarily disrupt or affect the Group's ability to maintain or improve its performance. The Group's future success and sustainability also depend on its ability to attract and retain qualified personnel. The Group currently enjoys a cordial relationship with its employees and all members of its senior management team have been in the employment of the Group for more than three (3) years. Additionally, the Group has in place an ESOS and has reserved a portion of the Offer Shares for employees via the Pink Form Shares Allocation to align the interests of its employees with the Group.

### 3. RISK FACTORS

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#### (j) Rules, Regulations and Controls

The Group is principally involved in the retail food and beverages business. To avoid any disruption in its business operations, the Group has been using its best endeavours to ensure strict compliance with the relevant laws, regulations and conditions that are enforced and/or imposed and that the relevant licences, certificates of fitness and permits are obtained and renewed on a timely basis.

There is however no assurance that the introduction of new laws or other future regulatory developments will not have a material adverse effect on the business operations of the Group. Generally, any inability to comply with all regulations and/or conditions or changes in applicable regulations and requirements may have a negative impact on its businesses. There is also no assurance that the existing licences and permits issued will not be subject to the imposition of further conditions or restrictions by the relevant authorities from time to time or upon renewal, which may materially affect the business operations of the Group.

#### (k) Breakout of Fire, Energy Crisis and Other Emergency Crisis

The Group's restaurants are susceptible to various risks such as breakout of fire, energy crisis or other natural calamities, which may cause significant losses or damage to its goods and restaurant premises, thus disrupting and affecting its business operations.

The Group believes that it has adequate safety and fire-fighting equipment installed at its restaurants to ensure that the risk of fire is minimised. It has in place a system of educating its employees on fire safety measures and precautions as well as disaster recovery plan. In addition, the Group's restaurants are adequately insured against losses arising from fire. However, notwithstanding the measures taken, there is no assurance that any of the abovementioned crises may not cause interruptions in the Group's operations in the event of occurrence.

### 3.2 RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

#### (a) Intense Competition

The restaurant industry in Malaysia is intensely competitive and the Group competes with many well-established food service companies on the basis of price, service, ambience, location and food quality. The Group's competitors include a large and diverse group of restaurant chains and individual restaurants that range from independent local operators to well-capitalized national and international restaurant companies.

Being in the mid-casual dining category of restaurants, the Group's closest competitors include, amongst others, Pizza Hut, Sushi King, The Chicken Rice Shop, Domino's, RasaMas and Nando's. As its competitors expand their operations, including through acquisitions or otherwise, competition is expected to intensify. The management believes that competition from the Group's competitors is to a certain extent mitigated by the Group leveraging on its existing strengths and advantages to defend and to increase its market position.

Notwithstanding the above, although the Group has been consistently seeking, adopting and introducing new initiatives/products to remain competitive, there is no assurance that competition from existing and/or potential competitors will not have a material adverse effect on the Group's performance.

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**3. RISK FACTORS**

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**(b) Inability to Anticipate Changes in Consumer Preferences**

The Group's continued success is dependent to a large extent, on its ability to anticipate and develop recipes that appeal to the changing tastes, dietary habits and preferences of customers. Should the Group be unable to anticipate and identify new consumer trends and develop/introduce new products accordingly, the demand for its food products may be affected which will then have an impact on the Group's operating results.

Additionally, the Group may incur significant costs relating to the development and marketing of new food products, or improving or altering existing recipes in response to what the Group perceive to be a consumer preference or demand. Such development or marketing efforts may not necessarily result in the level of market acceptance, volume of sales or profitability as anticipated by the Group.

**(c) Outbreak of Diseases**

Any outbreak of diseases or widespread contamination in any raw material used by the Group in its production may have an adverse impact on the business. In view that the Group's restaurants are mainly located in high traffic volume places, any outbreak of transmittable diseases will reduce the traffic at such places. Such occurrences may lead to a loss in consumer confidence and/or reduce the overall demand for the Group's products.

The outbreak of Severe Acute Respiratory Syndrome (more commonly known as "SARS"), the Avian influenza (more commonly known as Bird Flu) and Influenza A (more commonly known as "H1N1") had an adverse effect on the Group's revenue and financial performance in the past. There can be no assurance that such outbreaks may not occur again in the future. The Group has taken and will continue to take appropriate measures which include introducing new and/or alternative menu items such as meat/seafood products and taking all necessary preventive measures to minimise the effects of such outbreak on the Group's operations.

**(d) Changes in Political, Economic and Regulatory Conditions**

Changes in political, economic and regulatory conditions in Malaysia and elsewhere could materially and adversely affect the financial and business prospects of the Group. The political, economic and regulatory uncertainties include, but are not limited to, changes in political leadership, changes in laws and regulations, war, economic downturn, changes in rates of interest, methods of taxation and currency exchange rules, and financial crises.

**(e) Limitation of Strategic Locations**

In general, all established players in the food service industry, including BFood Group, constantly identify strategic locations to set up their restaurants. Apart from the quality of service and product offerings, identification of such strategic locations, which include places with high customer traffic flow such as shopping malls, is also imperative for food industry players to attract patrons.



### 3. RISK FACTORS

However, there is no assurance that the Group may be able to continuously identify, secure and/or ensure favourable terms and conditions for the tenancy to be entered into at such locations that are deemed strategic for its new KRR restaurants. Nevertheless, the management of BFood believes that Malaysia's increase in urban population which contributed to a rise in the number of shopping malls developing in many parts of the country coupled with the expected continued growth in the Malaysian population and economy will provide the Group with continuous opportunities to identify new strategic locations which include but are not limited to new shopping malls.

#### 3.3 RISKS RELATING TO INVESTMENT IN BFOOD SHARES

**(a) No Prior Market for the Shares and an Active Market for the Shares May Not Develop**

Prior to this Offer For Sale, there has been no public market for the Shares. There can be no assurance that an active and liquid market for the Shares will develop and continue to develop subsequent to its Listing or, if developed, that such a market is sustained. The Offer Price has been determined after taking into consideration various factors as stated in Section 2.8 of this Prospectus.

There is no assurance that the market price may not decline below the Offer Price. The Group believes that a number of factors could cause the Company's share price to fluctuate, including but not limited to, sales of substantial amounts of the Shares in the public market, announcements of developments relating to the Group's business, fluctuations in the Group's operating results, general industry conditions or the performance of the global economy.

**(b) Ownership and Control by Existing Shareholder**

As disclosed in Section 7.1.1 of this Prospectus, BGroup, as the Promoter and substantial shareholder of the Company will have an interest in approximately 74.65% of the issued and paid-up share capital of the Company upon Listing. As a result, BGroup and/or its holding company will have voting control over the Group and as such, will likely influence the outcome of certain matters requiring the vote of the Group's shareholders, unless it is required that they abstain from voting either by law and/or by the relevant authorities.

Nevertheless, the Group has appointed two (2) Independent Directors to ensure that any future transactions involving related parties are entered into on arms-length terms which are not detrimental to the Group, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

**(c) Possible Funding Requirement for Future Growth**

The Group may require additional funds in the future to finance the expansion of new developments relating to the Group's existing operations and/or new acquisitions which could not be predicted at this juncture. Under such circumstances, secondary issue(s) of securities after the Listing may be necessary to raise the required capital to develop these growth opportunities.

### 3. RISK FACTORS

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Should the Group then fail to utilise the new equity to generate a commensurate increase in earnings, the Group's EPS will be diluted, and this could lead to a possible decline in the Company's Share price. Any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund-raising exercises, and other financial and operational matters. In any such events, the Group's growth or financial performance may be adversely affected.

**(d) Forward-Looking Statements**

Certain statements in this Prospectus are forward-looking in nature, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by the Board, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performances or achievements to differ materially from the future results, performances or achievements expressed or implied in such forward-looking statements.

In the light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by BFood or AmlInvestment Bank that the plans and objectives of the BFood Group will be achieved.

**(e) Failure or Delay in Listing**

The occurrence of certain events or circumstances which are beyond the Company's control, may cause the Listing to be delayed or aborted which includes, amongst others, the following:-

- (i) The placees under the private placement tranche of the Offer For Sale fail to acquire the Offer Shares allocated to them;
- (ii) The Managing Underwriter and/or Underwriters exercising their rights pursuant to the Underwriting Agreement, discharging themselves from the obligations therein; and/or
- (iii) The Company is unable to meet the public shareholding spread requirements as determined by Bursa Securities i.e. at least 25% of the total number of shares for which Listing is sought in the hands of a minimum number of 1,000 public shareholders holding not less than 100 shares each.

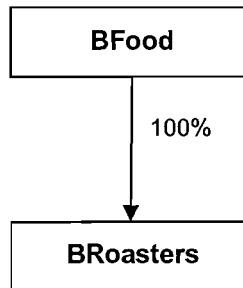
In such event, the Offeror will return in full without interest, all Application monies received in compliance with the provisions of sub-section 243(2) of the CMSA.

Nevertheless, as a mitigating factor, the Company's Directors and AmlInvestment Bank, as the Principal Adviser, will endeavour to ensure that the Group is able to meet the public spread requirements by allocating the Offer Shares applied for by the Malaysian Public to the required number of public shareholders during the balloting process.

**4. BACKGROUND INFORMATION ON THE GROUP**

**4.1 GROUP STRUCTURE**

As at the date of this Prospectus, the structure of the Group is as follows:-

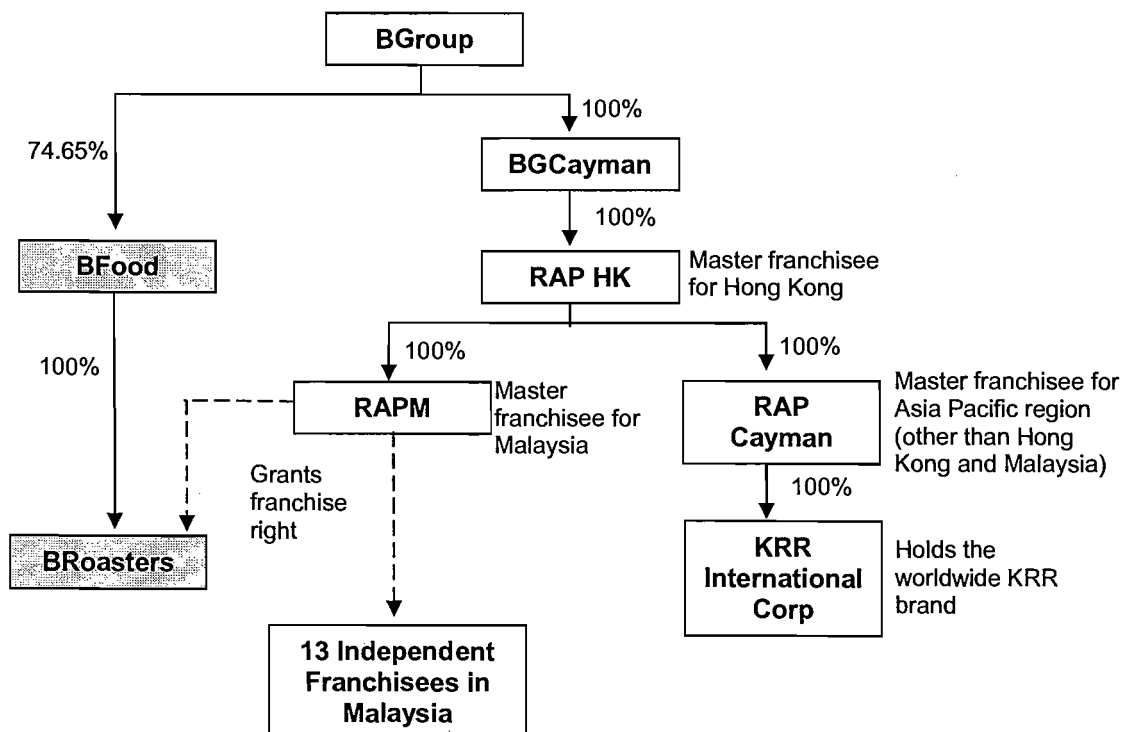


**4.2 HISTORY AND COMMENCEMENT OF BUSINESS OPERATIONS**

BFood was incorporated in Malaysia under the Act as a private limited company on 21 October 2009 under its current name. It was converted into a public limited company on 3 December 2009. Pursuant to the completion of the Acquisition which comprises part of the Listing Scheme as detailed in Section 4.6 below, BRoasters subsequently became a wholly-owned subsidiary of BFood on 19 January 2011. Further details of BRoasters are detailed in Section 4.6.1 of this Prospectus.

The business of BFood is that of an investment holding company. Through its wholly-owned subsidiary, BRoasters, the Group is principally engaged in the development (which includes *inter alia*, setting-up and expansion of new KRR restaurants) and operation of the KRR chain of restaurants in Malaysia vide an MDA entered into between BRoasters and RAPM, a wholly-owned subsidiary of BGroup. Prior to the Acquisition, BRoasters was a wholly-owned subsidiary of BGroup since its commencement of operations in 1994.

Pursuant to BGroup's, the holding company of BFood, completion of the acquisition of KRR International Corp in April 2008, BGroup effectively holds the worldwide KRR brand including the KRR franchise. The relationship between BGroup, KRR International Corp, RAPM and BFood upon Listing is depicted in the diagram below:-



#### 4. BACKGROUND INFORMATION ON THE GROUP

KRR was originally set up by Country and Western singer, Kenny Rogers, and former Governor of the state of Kentucky, John Y Brown Jr, in 1991. Seeing an opportunity to provide healthy and delicious food in a restaurant environment, KRR opened its first restaurant in Coral Spring, Florida, in August of 1991. Besides Malaysia, KRR has restaurants in various countries around the world such as the United States of America, Singapore, the People's Republic of China ("China"), Bahrain, Indonesia and the Philippines.

For three (3) consecutive years (1996, 1997 and 1998), Restaurants and Institutions Magazine, a leading publication from the United States of America, had awarded its prestigious America's Choice Award Winner for the Best Chicken Chain to KRR International Corp. RAPM was also awarded the Master Franchisee of the Year 2000/2001, 2002/2003 and 2008/2009 for the KRR brand by the Malaysian Franchise Association, an affiliate of the World Franchise Council.

BRoasters had, pursuant to the MDA, obtained the franchise to develop and operate KRR restaurants in Malaysia on a non-exclusive basis with first right of refusal in respect of any franchise proposed to be granted by RAPM within Malaysia to third parties (i.e. Independent Franchisees). Pursuant to a separate agreement in 2004, it was agreed that RAPM may from time to time during the tenure of the MDA, grant franchises to third parties (i.e. Independent Franchisees), subject to RAPM obtaining BRoasters' prior consent as to the location or site of the restaurant proposed to be operated by third parties. The franchise rights have been granted to the Independent Franchisees since year 2000. As at the LPD, there are thirteen (13) Independent Franchisees-owned restaurants in Malaysia.

In February 2008, BRoasters and RAPM entered into a supplemental agreement to the MDA pursuant to which the parties agreed that BRoasters' franchise right under the MDA shall thenceforth continue on an exclusive basis with the right to grant franchises to third parties in Malaysia. Hence, RAPM's right to grant further franchises to third parties in Malaysia accordingly ceased. With this, BRoasters became the sole franchisee of RAPM in respect of the development and operation of KRR restaurants in Malaysia, save for the abovementioned thirteen (13) Independent Franchisees-owned restaurants.

As master franchisee of the KRR brand in Malaysia, RAPM's primary role is to act as custodian of the KRR standard of operations and procedures (inclusive of consistent application of the KRR marks and logo) and to ensure strict adherence/compliance of such standards and procedures by the sub-franchisees (namely, BRoasters and the Independent Franchisees).

Whilst RAPM is the master franchisee for the KRR brand in Malaysia, BRoasters (as part of BFood Group) was chosen by the Promoter as the listing entity in view that it holds the exclusive franchise right to develop and operate the KRR chain of restaurants in Malaysia and owns the largest number of KRR restaurants in Malaysia.

In addition to BRoasters' primary activities including the setting-up and expansion of new KRR restaurants and the operation of its KRR chain of restaurants in Malaysia, BRoasters (which is the single largest operator of KRR restaurants in Malaysia) is also responsible for amongst others, the development of the KRR brand in Malaysia (via advertising and promotional activities), the introduction of new menu items (with the consent from RAPM), and acting as the central procurement agent, on behalf of all KRR restaurants in Malaysia.

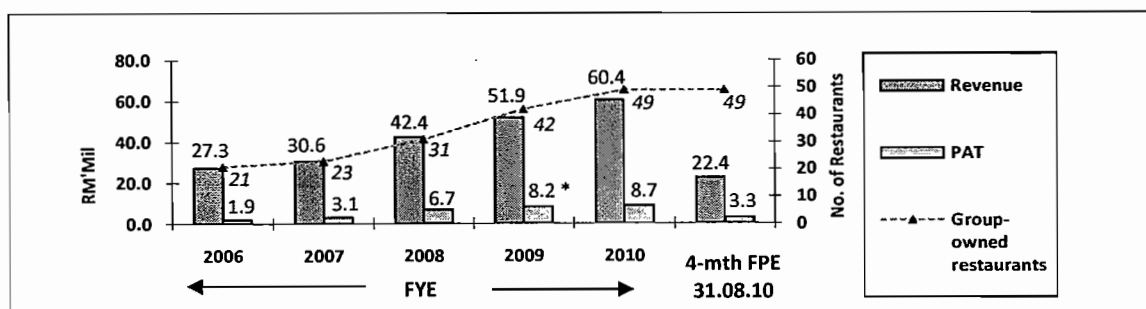
Since the opening of its maiden restaurant in November 1994 which marked the commencement of the KRR franchise in Malaysia, BRoasters has successfully built a nationwide restaurant network in Malaysia over a span of sixteen (16) years. As at the LPD, BRoasters has 51 restaurants located throughout Malaysia.

#### 4. BACKGROUND INFORMATION ON THE GROUP

Over the years since its inception, KRR restaurants gradually evolved from the counter-service restaurant concept to the full-service, mid-casual dining concept. The change was intended to provide better service and convenience to its customers as well as to attract customers from different income segments and age groups. By the end of 2003, all the KRR restaurants had fully evolved to the mid-casual dining concept.

KRR restaurants feature rotisserie roasted chicken as their main core item complemented by a variety of hot and cold side dishes and KRR's famous muffins, jacket potatoes, vegetable salads, pasta, soups, desserts and beverages served in a friendly and comfortable environment. In line with BRoasters' tagline of "Less Fat..., Less Salt..., Less Calories....", BRoasters serves mainly healthy meals which are steamed, baked or roasted.

The Group's proforma financial performance for the past five (5) years from FYE 2006 to FYE 2010 and for the four (4)-month FPE 31 August 2010 as well as the number of restaurants maintained are shown in the graph below:-



**Note:-**

\* After excluding one-off gain on disposal of PPE amounted to approximately RM4.4 million

#### 4.3 KEY ACHIEVEMENTS/MILESTONES/AWARDS

Amidst competitive business environment, the Group's in-depth understanding of the food industry enables it to continuously reposition itself within a strategic segment of the market. The table below sets out the Group's key development and achievement milestones over the years:-

Year	Events
2001	<b>Master Franchisee for the Year 2000/2001:</b> Awarded to RAPM for the KRR brand by the Malaysian Franchise Association, an affiliate of the World Franchise Council (in recognition of BRoasters' pivotal role in the expansion of KRR restaurants in Malaysia)
2003	<b>Restaurant-wide transformation:</b> All KRR restaurants were converted from the self-service concept to the mid-casual dining concept  <b>Master Franchisee for the Year 2002/2003:</b> Awarded to RAPM for the KRR brand by the Malaysian Franchise Association
2005	<b>Commencement of corporate social responsibility programmes</b> including Roasters Health Watch Programme, KRR Community Chest, Wishing Tree Project and Roasters Chicken Run which are conducted yearly. All proceeds raised from these events are donated to charitable organisations in Malaysia

#### 4. BACKGROUND INFORMATION ON THE GROUP

Year	Events
2008	<b>Commencement of catering and delivery services:</b> These services are available within a five (5) kilometre radius from selected KRR restaurants in Malaysia. To facilitate the catering and/or delivery services, a dedicated telephone line has been set up for the convenience of its customers
2009	<b>Master Franchisee for the Year 2008/2009:</b> Awarded to RAPM for the KRR brand by the Malaysian Franchise Association  <b>Free "Wi-Fi" services:</b> Introduction of free "Wi-Fi" services in all KRR restaurants, allowing patrons to enjoy their meals while surfing the Internet

#### 4.4 CAPITAL EXPENDITURES AND DIVESTMENTS

Save as disclosed below, there are no other material capital expenditures and divestitures (including interests in other corporations) made by the Group for the FYE 2008 to FYE 2010 and the four (4)-month FPE 31 August 2010 and up to the LPD:-

	← FYE →			For the four (4)-month FPE 31.08.10 RM'000	1 September 2010 up to the LPD RM'000
	2008 RM'000	2009 RM'000	2010 RM'000		
<b>Capital expenditures</b>					
Office equipment, furniture, fittings, motor vehicles and computers	1,277	2,036	799	165	284
Plant, machinery, kitchen equipment and smallwares	2,446	3,195	1,005	29	852
Renovation and restoration	3,745	4,201	2,631	103	516
<b>Total capital expenditures</b>	<b>7,468</b>	<b>9,432</b>	<b>4,435</b>	<b>297</b>	<b>1,652</b>
<b>Capital divestments</b>					
Office equipment, furniture, fittings, motor vehicles and computers	-	(172)	(35)	(25)	(75)
Plant, machinery, kitchen equipment and smallwares	(30)	(4)	-	-	-
Building	-	(2,654)	-	-	-
<b>Total capital divestments</b>	<b>(30)</b>	<b>(2,830)</b>	<b>(35)</b>	<b>(25)</b>	<b>(75)</b>

As at the LPD, the Group does not have any material capital expenditure and divestiture outside Malaysia. The above capital expenditure was financed by credit facilities available to the Group and/or internally-generated funds.

#### 4. BACKGROUND INFORMATION ON THE GROUP

##### 4.5 SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

The authorised, and issued and paid-up share capital of BFood as at the LPD are as follows:-

Type	No. of Shares	Par value RM	Amount RM
Authorised	1,200,000,000	0.50	600,000,000
Issued and paid-up	141,348,000	0.50	70,674,000

Details of the changes in the issued and paid-up share capital of BFood since its date of incorporation up to the LPD are as follows:-

Date of allotment	No. of Shares allotted	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
21.10.2009	2	1.00	Cash	2
28.10.2009	4	0.50	Subdivision of shares	2
19.01.2011	141,347,996	0.50	Shares issued pursuant to the Acquisition	70,674,000

As at the date of this Prospectus, the Company has not issued any warrant, option, convertible security or uncalled capital. Upon Listing, the Company may grant Options to eligible employees and Directors of the Group pursuant to the ESOS.

##### 4.6 LISTING SCHEME

In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of BFood on the Main Market of Bursa Securities, the Company proposes to implement a listing scheme which involved/involves the following:-

###### 4.6.1 Acquisition of BRoasters

An SPA was entered into on 31 March 2010 between BFood as the purchaser and BGroup, a wholly-owned subsidiary of BCorporation, as the vendor, where BFood acquired the entire issued and paid-up share capital of BRoasters representing 17,000,000 ordinary shares of RM1.00 each from BGroup for a total consideration of RM72,087,478 which was satisfied via the issuance of 141,347,996 new Shares in BFood at an issue price of RM0.51 each, credited as fully paid-up. The Acquisition which had been undertaken by BFood as part of the Listing Scheme was completed on 19 January 2011.

The total consideration for the Acquisition includes a premium over the audited net assets of BRoasters of approximately RM33.3 million as at 31 October 2009 and was arrived at after taking into consideration, amongst others, the adjusted PAT of BRoasters for the FYE 2009 of approximately RM8.2 million (after excluding gain on disposal of PPE) and the earnings potential of BRoasters. The total consideration represents a net price-earnings multiple of 8.8 times on BRoasters' then adjusted PAT for the FYE 2009 and a price-to-book multiple of 2.2 times on the audited net assets of BRoasters as at 31 October 2009.

#### **4. BACKGROUND INFORMATION ON THE GROUP**

Based on BRoasters' audited accounts for the FYE 2010, the total consideration represents a net price-earnings multiple of 8.0 times on the PAT of RM9.0 million and price-to-book multiple of 1.8 times on the net assets of RM40.5 million.

Following the completion of the Acquisition on 19 January 2011, the existing shareholders of BFood, namely Tan Lay Hian and Yeoh Cheng Lee disposed of their respective shareholdings in BFood comprising in total four (4) Shares for a total cash consideration of RM2 to BGroup.

Pursuant thereto, BRoasters became a wholly-owned subsidiary of BFood, which in turn became a wholly-owned subsidiary of BGroup.

##### **Information on BRoasters**

BRoasters was incorporated in Malaysia under the Act as a private limited company on 14 October 1993. The authorised share capital of BRoasters is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each, and its issued and paid-up share capital is RM17,000,000 comprising 17,000,000 ordinary shares of RM1.00 each. There have been no changes in the issued and paid-up share capital of BRoasters for the FYE 2008 to FYE 2010 and up to the date of this Prospectus.

BRoasters is principally engaged in the development and operation of the KRR chain of restaurants in Malaysia.

BRoasters does not have any subsidiary or associated company.

##### **4.6.2 Offer For Sale**

BGroup is undertaking the Offer For Sale, the details of which are set out in Section 2.6 of this Prospectus.

##### **4.6.3 ESOS**

In conjunction with the Listing Scheme, BFood has established an ESOS in order to retain and motivate the eligible Directors and employees who have contributed to the success of the Group.

The maximum number of Shares to be offered shall not exceed five percent (5%) of the enlarged issued and paid-up ordinary share capital of the Company at any point in time during the duration of the ESOS. For illustration purposes, the maximum number of BFood Shares to be offered pursuant to the ESOS is approximately 7.44 million new BFood Shares representing five percent (5%) of the enlarged issued and paid-up share capital of BFood upon Listing and full exercise of ESOS Options.

The ESOS Options will be granted to eligible Directors and employees of the BFood Group on the date of Listing and from time to time thereafter and will be for a duration of five (5) years from the date of Listing.

The Bylaws constituting the ESOS are set out in Section 14 of this Prospectus.



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**4. BACKGROUND INFORMATION ON THE GROUP**

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**4.6.4 Listing of and Quotation for BFood Shares**

The Company intends to seek a listing of and quotation on the Main Market of Bursa Securities for the following:-

- (a) The entire issued and paid-up share capital comprising of 141,348,000 Shares; and
- (b) The new BFood Shares to be issued pursuant to the ESOS. For illustrative purposes, the maximum number of BFood Shares to be offered pursuant to the ESOS is approximately 7.44 million new BFood Shares representing five percent (5%) of the enlarged issued and paid-up share capital of BFood upon Listing and full exercise of ESOS Options.

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## 5. BUSINESS OVERVIEW

### 5.1 TYPES OF PRODUCTS AND/OR SERVICES

The Group operates a chain of mid-casual dining restaurants with rotisserie roasted chicken as its main core item complemented by a variety of hot and cold side dishes. The Group's menu items as at the date of this Prospectus are as detailed below:-

#### All-Time Favourites

- Country-Style Soup
- Roasted Chicken Salad
- Caesar Salad
- Round-Up Platter
- Garlic Bread
- Veggie Sticks

#### Healthy Bites

- Classic Chicken Sandwich
- Sunshine Sandwich Toast
- Chicken D'Lite Sandwich
- 'Egg'cellent Sandwich

#### Kenny's Greatest Meals

- **Kenny's Chicken Meal**
  - Choice of quarter, half or whole chicken served in 3 flavours (Original/Black Pepper/Smoked BBQ)
  - Served with Kenny's Home-Made Muffin(s) and Side Dishes
- **Jacket Potato Meal**
  - Freshly Baked Potato with choice of 7 toppings (Tangy Chicken/Beef Bolognese/Cheesy Chicken/Chicken Salad/Vegetable Fusion/Macaroni & Cheese/BBQ Baked Beans)
  - Served with Kenny's Home-Made Muffin and Side Dishes
- **Kenny's Pasta Meal**
  - 3 Choices of Pasta (Beef Bolognese Spaghetti, Tangy Chicken Spaghetti, Chicken Macaroni Cheese)
  - Served with Kenny's Home-Made Muffin

#### Light & Easy Selections (12 choices of Side Dishes)

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Fresh Hitz           <ul style="list-style-type: none"> <li>- Coleslaw</li> <li>- Potato Salad</li> <li>- Garden Pasta Salad</li> <li>- Tomato, Cucumber &amp; Onion Salad</li> <li>- Crisp Garden Salad</li> <li>- Fresh Fruit Salad</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Hot Hitz           <ul style="list-style-type: none"> <li>- Golden Corn &amp; Carrot</li> <li>- Macaroni &amp; Cheese</li> <li>- BBQ Baked Beans</li> <li>- Garlic Parsley Potato</li> <li>- Aromatic Rice</li> <li>- Mashed Potato &amp; Gravy</li> </ul> </li> </ul> |
|---|---|

#### Sweet Indulgence

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Kenny's Home-Made Muffins           <ul style="list-style-type: none"> <li>- Golden Vanilla</li> <li>- Banana Raisin</li> <li>- Chocolate Raisin</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Muffin Submarine</li> <li>• Fruit Jelly Delight</li> <li>• Jelly Sundae</li> </ul> |
|--|---|

#### Freshen-Up Selections

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Classic Selections           <ul style="list-style-type: none"> <li>- Caffe Latte</li> <li>- Vanilla Caffe Latte</li> <li>- Hazelnut Caffe Latte</li> <li>- Caffe Mocha</li> <li>- Caramel Macchiato Marvel</li> <li>- Americano</li> <li>- Tea</li> <li>- Hot Choccolicious Milk</li> <li>- Hot Caramel Milk</li> </ul> </li> <li>• Iced Coffee Beverages           <ul style="list-style-type: none"> <li>- Iced Caffe Latte</li> <li>- Iced Vanilla Caffe Latte</li> <li>- Iced Hazelnut Caffe Latte</li> <li>- Iced Caffe Mocha</li> <li>- Iced Caramel Macchiato Marvel</li> <li>- Iced Americano</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Chill Out Selections           <ul style="list-style-type: none"> <li>- Four Season Fizzy (Spring/Summer/Autumn/Winter)</li> <li>- Fruit Juice (Orange/Mango)</li> <li>- Iced Lemon Tea</li> <li>- Bottled Water</li> <li>- Coke Light</li> <li>- Iced Choccolicious Milk</li> <li>- Iced Caramel Milk</li> <li>- Tropical Paradise</li> <li>- Jewel Treasure</li> <li>- Triple Passion</li> </ul> </li> <li>• Other Fountain Beverages</li> </ul> |
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**5. BUSINESS OVERVIEW**

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- Ice-Blended Beverages
  - *Chocolate Extreme Iced Blends*
  - *Caramel Chocolate Iced Blends*
  - *Caffe Mocha Iced Blends*
  - *Cappuccino Iced Blends*
  - *Strawberry Dream Yoghurt Iced Blends*
  - *Mango Magic Yoghurt Iced Blends*

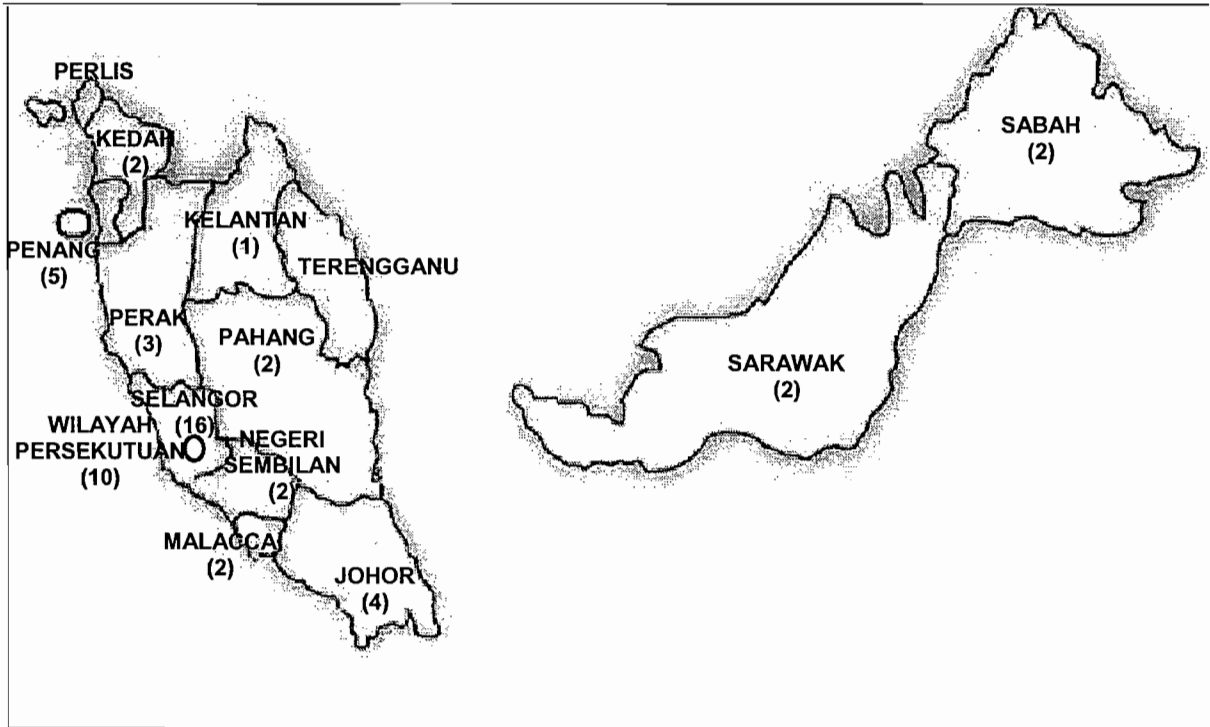
Additionally, the Group has commenced its catering and delivery services in February 2008 which are available within a five (5) kilometre radius from selected KRR restaurants in Malaysia. To facilitate the catering and delivery services, a dedicated telephone line (1300 888 878) has been set up for the convenience of customers.

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## 5. BUSINESS OVERVIEW

### 5.2 PRINCIPAL MARKETS

The Group's restaurants are strategically located in various parts of Malaysia. The number of restaurants as at the LPD in each state is as set out below:-



#### Wilayah Persekutuan

- AEON AU2, Ampang
- AEON Prima Kepong
- Berjaya Times Square
- Cheras Leisure Mall
- KL Convention Centre
- KL Sentral ERL
- Kota Raya
- Mid Valley Megamall
- The Mall
- Setapak

#### Malacca

- AEON Bandaraya Melaka
- Mahkota Parade

#### Perak

- Kinta City
- Ipoh Parade
- Taiping Sentral

#### Sarawak

- Boulevard, Kuching
- The Spring, Kuching

#### Selangor

- AEON Mahkota Cheras
- AEON Bukit Raja
- AEON Bukit Tinggi, Klang
- Amcorp Mall
- Carrefour Subang
- Empire Shopping Gallery, Subang
- Equine Park
- Giant Kota Damansara
- IOI Mall
- Klang Parade
- Metro Point, Kajang
- Subang Parade
- Sunway Pyramid
- Tesco Setia Alam
- Tropicana City Mall
- The Mines

#### Pahang

- Berjaya Megamall, Kuantan
- Genting Walk

#### Sabah

- Suria Sabah, Kota Kinabalu

#### Penang

- AEON Seberang Prai City Shopping Centre
- Penang International Airport
- Queensbay Mall
- Sunway Carnival, Seberang Jaya
- 1<sup>st</sup> Avenue

#### Johor

- AEON Tebrau City
- AEON Bukit Indah
- Tesco, Plentong
- Tesco, Tebrau City

#### Negeri Sembilan

- AEON Seremban 2
- Seremban Parade

#### Kelantan

- Tesco, Kota Bahru

#### Kedah

- Langkawi International Airport
- Langkawi Jetty Point

## 5. BUSINESS OVERVIEW

### 5.3 GROUP-OWNED RESTAURANTS

In general, there are three (3) types of KRR restaurants that may be operated by the Group pursuant to the MDA, namely, "Non-traditional Restaurant", "Express Facility Restaurant" and "Traditional Restaurant".

"Non-traditional Restaurant" generally refers to a restaurant which is less than 800 square feet and may have little or no seats and may be located in food courts (with the exception of "kiosks-type structures" located within aisles of shopping malls) and is generally not a free-standing structure.

"Express Facility Restaurant" is different from "Non-traditional Restaurant" in terms of menu offerings and their methods of quick preparation. "Express Facility Restaurant" is a business that caters for "take-away" services.

"Traditional Restaurant" is generally a restaurant that occupies more than 800 square feet, has proper seatings, and located in retail areas. It has a standard menu offering and the food is served in the conventional way.

As at the LPD, all the Group-owned restaurants operate as "Traditional Restaurant".

#### 5.3.1 Planning, Site Selection and New Restaurant Openings

- (a) **Targeted markets.** The Group plans to focus the expansion of its restaurant network in larger and more developed cities in Malaysia, such as state capital cities and in relatively affluent regions, where future growth are expected to be concentrated. As at the LPD, most of the Group-owned restaurants are located in these areas.
- (b) **Site selection and pre-investment due diligence.** To maintain overall business performance, the management conducts due diligence and market analysis prior to each restaurant opening and closely monitor the performance of individual restaurants in order to respond to the changing market demand. To evaluate the feasibility and desirability of a proposed site, the management has established standardised procedures and practices for site selection and pre-investment due diligence process. The Group's pre-investment due diligence process includes multiple on-site inspections, extensive analysis of market and other data, as well as feasibility studies to estimate required initial capital outlay, investment return period, expected investment yield and operating costs and expenses.

In order to prevent competition and cannibalisation among the Group-owned restaurants and Independent Franchisees-owned restaurants, permission to open a new restaurant will only be granted if the management believes that any potential reduction of customer traffic to existing restaurants near such a restaurant will not adversely affect the overall operations and performance of that region.

Generally, the Group favours sites located in places of high traffic volume and range between 1,800 and 2,500 square feet in size, with visible shop space or signage. Most of the Group-owned restaurants are located on tenanted premises with a typical tenure of three (3) years with option of renewal. The site selection criteria of the Group takes into account factors such as pedestrian traffic volume and proximity to shopping centres, accessibility and size of the proposed restaurant site, property rental and area restaurant competition.

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**5. BUSINESS OVERVIEW**

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- (c) **Restaurant opening.** The Group's standardised procedures and processes for restaurant openings extend to restaurant design and construction, which is undertaken by its in-house interior design team, which helps to manage investment costs and increase overall efficiency of new restaurant openings. Other internal guidelines include obtaining requisite licences and approvals from the relevant authorities.

Uniform decor standards have been employed for all the Group's restaurants to create a consistent brand image for all Group-owned KRR restaurants in Malaysia. The costs of opening a new restaurant is dependent upon, amongst others, the location, size of the restaurant, and the extent of renovations required. On average, the estimated investment cost required for a new restaurant with a size of approximately 1,800 to 2,000 square feet is approximately RM700,000.

**5.3.2 Restaurant Management**

The Group is operating under structured management organisation designed to promote efficiency in supervising, directing and supporting its operations, quality assurance systems, recruitment processes and training programmes in different geographical regions.

- (a) **Headquarters management.** The central management of the Group's overall business operations is based in its headquarters in Kuala Lumpur. Generally, the Group's nationwide restaurant operations are overseen by two (2) operation managers where each operation manager is supported by four (4) area managers. The Group's headquarters is responsible for all corporate, administrative and operational matters which include new restaurant openings, management-level recruitment, providing training to employees, sales and marketing, procurement from local suppliers and development of the Group's restaurant policies and/or procedures.
- (b) **Restaurant-level management.** Each of the Group's restaurant is managed by a restaurant manager who is responsible for different operational aspects. The number of employees employed is dependent on the size of the restaurant. On average, a new restaurant with a size of approximately 1,800 to 2,000 square feet employs about 25 employees. Certain decisions are delegated to the restaurant manager to allow greater flexibility and quicker response to market demand and improve business performance.

**5.4 SEASONAL/CYCLICAL FACTORS**

Generally, the Group is affected by cyclical or seasonal demand conditions. The Group enjoys exceptional sales during festive periods, national and school holidays, and weekends, in view that the Group's restaurants are mainly located in shopping malls or in places where traffic is typically high during such period.

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**5. BUSINESS OVERVIEW**

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**5.5 COMPETITIVE STRENGTHS AND ADVANTAGES**

The Group's competitive strengths and advantages are as follows:-

**(a) Experienced Management Team**

The Directors and management team of the Group have extensive management and operational experience and an in-depth understanding of the food and beverage industry. The executive Directors and key management personnel of the Group have been responsible for formulating and implementing the overall business strategy and corporate development of the Group.

The senior management team comprises staff with diverse backgrounds and experience in various fields, including food services, trade and commerce, finance, business administration and hotel management. Their different expertise, experience and ability to collaborate as a team contribute positively to the operations and growth of the business. The management team is dedicated to raise corporate standards and has a proven track record of achieving results, which is reflected through the financial and operational improvements recorded over the past few years.

The Group has in place a well-defined management structure that supports its wide restaurant network and planned growth. The Group has invested significant resources to recruit, retain and motivate qualified managerial personnel, including restaurant-level management, to assist the senior management. Such management structure enables greater operational efficiency whilst being able to provide management support to the Group's restaurants in different geographic regions. Further details of the Group's management structure are set out in Section 5.3.2 of this Prospectus.

The Group offers competitive compensation packages, regular training programmes and attractive career development opportunities to qualified candidates and have implemented an ESOS as part of the Listing Scheme to align the long term interests of management personnel with the Group. The Group believes these incentive programmes will assist them in recruiting and retaining management talent, which is crucial to the long-term success of the Group.

**(b) Nationwide Restaurant Presence with International Branding**

The Group is amongst the largest mid-casual dining restaurant chain operator in Malaysia, in terms of the number of outlets (as disclosed in the IMRR). As at the LPD, BRoasters has 51 restaurants located throughout Malaysia. Most of the Group's restaurants are concentrated in the urban areas where the future economic, population and consumer spending growth are likely to be concentrated.

The KRR restaurant chain which originates from the United States of America has been present in the international platform since 1991. Besides Malaysia, KRR has restaurants in various countries around the world such as the United States of America, Singapore, China, Bahrain, Indonesia and the Philippines.

The management of the Group believes that its established restaurant network together with the Independent Franchisees-owned restaurants enhances brand recognition and market awareness, which facilitates the Group's expansion into new markets and serves as potential distribution channels for new business opportunities.

## 5. BUSINESS OVERVIEW

### (c) Healthy Eating Concept

BRoasters' philosophy is weaved on preparing wholesome, hearty and well-balanced meal which mirrors today's discerning consumers' changing attitude towards healthy eating lifestyle. In line with its tagline of "Less Fat...., Less Salt...., Less Calories....", BRoasters serves mainly healthy meals which are steamed, baked or roasted.

BRoasters' signature rotisserie roasted chicken is a healthier alternative and less fattening compared to other methods of cooking. The chicken is constantly rotated on a skewer while being cooked to drain away the fat. It also allows the chicken to be cooked more evenly to maximise the retention of juices and nutrients.

BRoasters' menu have been thoroughly analysed and evaluated to determine the nutrient content in accordance with its Food Guide Pyramid, based on the United States Department of Agriculture (U.S.D.A.) dietary guidelines.

### (d) Good Portion/Value for Money

As part of the Group's core value to serve healthy and wholesome meals to its customers, the Group serves its meals complemented by a variety of freshly prepared hot and cold side dishes alongside its famous muffins. A standard meal typically consists of a main dish, three (3) side dishes and a muffin which is affordably priced and comparable to other prices offered by mid-casual dining restaurants in Malaysia.

### (e) Fresh New Contemporary Ambience

The management believes in having a new contemporary ambience for the Group's restaurants in order to provide customers with a relaxed, friendly and pleasant dining atmosphere. For this purpose, the management has its own interior design team primarily responsible for overseeing the furniture and fittings of its chain of restaurants.

For branding purposes, the Group has refurbished all its restaurants within the last seven (7) years to ensure consistency of design and to create a brand image for all its restaurants. All restaurants have been designed and constructed with emphasis on efficiency of layout and functionality, maximizing usable space, construction costs management and safety requirements. Moving forward, the Group will continuously seek to improve its restaurants' design to keep up with consumer demands.

## 5.6 TYPES, SOURCES AND AVAILABILITY OF CORE RESOURCES

The principal raw material used in KRR restaurants is chicken meat which is sourced from reliable domestic suppliers. Being in the food and beverage industry, the Group ensures that all its purchases of chicken meat are certified "halal" by the Islamic Development Department of Malaysia and bear the "Veterinary Health Mark" issued by the Department of Veterinary Services.

Malaysia has a significant poultry industry, having an estimated production of approximately 1.23 million tonnes of poultry in 2009 (2008: 1.16 million tonnes) (*Source: Economic Report 2009/2010*). The Group sources its chicken meat from several suppliers in order to reduce its dependency on a single supplier. Additionally, chicken meat is currently a controlled item in Malaysia whereby a price-cap has been imposed to control its price movements and thus the price of chicken meat has been fairly stable.

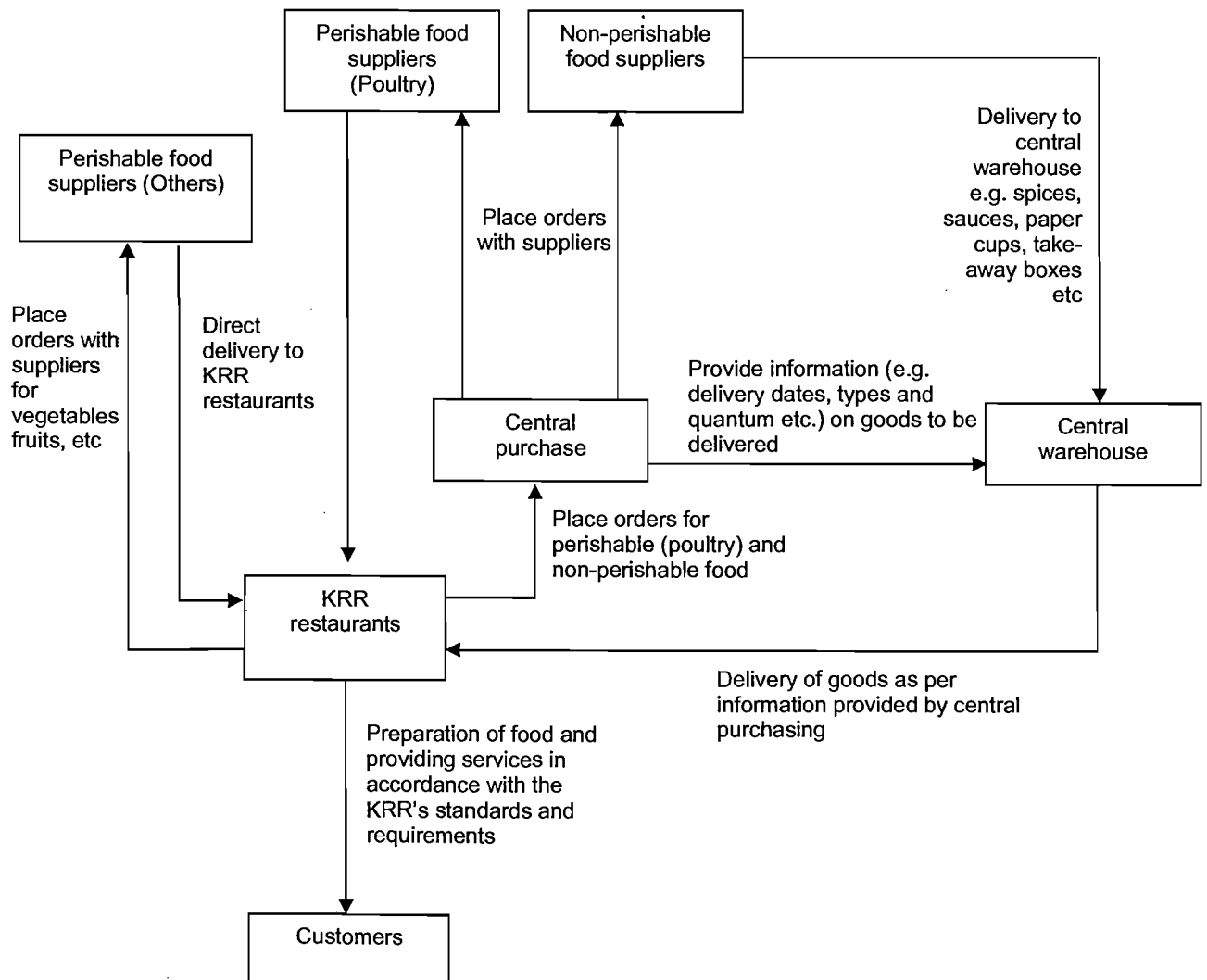


**5. BUSINESS OVERVIEW**

Apart from chicken meat, the Group also requires, amongst others, spices, vegetables and premix, as raw material. In general, the Group monitors its stocks of raw material carefully to ensure that they are sufficient at all times to prevent any disruption in its restaurants' operations. The restaurant managers are responsible for monitoring the sufficiency of raw material in the respective restaurants and will notify the central purchasing department for immediate replenishment of raw material. Over the years, the Group has developed close relationship with its suppliers which ensure the timely and consistent supply of raw material to all its restaurants' operations.

**5.7 BUSINESS PROCESS**

**Business Process Flow Chart in respect of KRR restaurants**



In general, central purchase (Head Office) will negotiate with suppliers (perishable and non-perishable food) for all the KRR restaurants to obtain the best prices and to achieve economies of scale. All KRR restaurants are required to place orders only with the designated suppliers to ensure consistency in costs and quality of products.

Perishable food are basically products which have short shelf life such as poultry, vegetables, fruits, juices, milk etc. whereas non-perishable food have longer shelf life such as spices, sauces, marinades, servewares, "take-away" boxes etc.

## **5. BUSINESS OVERVIEW**

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For Peninsular Malaysia, poultry is pre-marinated at suppliers' place before delivery to the KRR restaurants whereas for East Malaysia, poultry is marinated at the respective KRR restaurants as the volume of poultry to be marinated is much higher in Peninsular Malaysia compared to East Malaysia.

Each KRR restaurant will monitor its own stock level and estimates the daily requirements for perishable food, which are supplied daily to maintain freshness and quality of the product. For KRR restaurants located within Peninsular Malaysia, the perishable food (save for poultry which is ordered through central purchase) are ordered directly by the KRR restaurants from the designated suppliers. For East Malaysia, all perishable food (including poultry) are ordered directly from designated suppliers.

For non-perishable food, the KRR restaurants located in the Klang Valley estimate their requirements on a weekly basis and for those located outside the Klang Valley on a monthly basis. Upon receiving the relevant orders from the KRR restaurants, central purchase will process and forward the orders to central warehouse, operated by a comprehensive third-party warehouse operator namely PKT Logistic (M) Sdn Bhd. The stocks are delivered on a weekly basis to KRR restaurants located within the Klang Valley and on a monthly basis to those located outside the Klang Valley.

Central purchase will, on a weekly basis, monitor the stock level at the central warehouse and will place orders with the relevant suppliers to replenish the stocks.

The KRR restaurants will prepare and/or cook the food strictly in accordance with KRR's standards and requirements using the prescribed recipe guide, which will then be properly stored at the appropriate temperatures (depending on whether it is hot or cold products) to retain freshness and quality. Line checks are conducted on a regular basis by the KRR restaurant managers.

### **5.8 TECHNOLOGY USED/TO BE USED**

Operating a nationwide restaurant chain requires advanced restaurant managerial systems and capabilities. The Group utilises operational programmes and tools, including logistics management and restaurant operations information systems to provide the management team of the Group with timely access to financial and operating data as well as to reduce administrative time and expenses.

The Group has committed significant resources to continuously upgrade its technological infrastructure to support its business expansion and development initiatives such as the installation of the point-of-sale system in all its restaurants to provide real-time data to its central logistics centre. The point-of-sale system enables the management team to better manage the business and operations of the Group and respond to market changes in a timely manner.

The Group also fabricates its kitchen equipment to achieve greater space savings and to increase the work flow efficiency of its kitchen staff. Basic maintenance work on all kitchen equipment are undertaken regularly by the respective restaurant managers who attend specific training programmes for this purpose. Further maintenance and repairs are outsourced for cost efficiency.

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**5. BUSINESS OVERVIEW**

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**5.9 QUALITY ASSURANCE MANAGEMENT**

As part of the Group's vision to establish itself as the leading and preferred mid-casual rotisserie roasted chicken restaurants in Malaysia, the Group places great emphasis on improving the quality of its products as consistent quality would ensure customer satisfaction and secure repeated customers for the Group. In order to maintain high standards and quality, quality assurance procedures are infused at every step of the production process to monitor the quality of its products.

Generally, the Company adopts the following approaches to ensure that quality standards are maintained.

**(a) Compliance with "Halal" Certification**

To widen its customer base and to attract more customer and sales, the Group ensures that all its food products are "Halal". Every restaurant will be closely monitored to ensure the "Halal" certificates are valid and/or renewed on a timely basis and strictly adhere to the terms and conditions imposed by the Islamic Development Department of Malaysia at all times.

**(b) Recipe Guide**

To ensure consistency of the quality of its food product, the management has introduced a recipe guide for its restaurant employees. The recipe guide details all the necessary ingredients as well as the methodology for the cooking procedures involved in the preparation of every dish available on the menu. Restaurant employees will be required to prepare every dish in accordance with the recipe guide, supervised by the restaurant manager.

**(c) Restaurant Line Check**

The Group conducts line checks to assist restaurant managers in verifying that food products for the cook line are properly stored and at appropriate temperature. Each restaurant has its own equipment to store both its hot and cold food products at controlled temperature to retain the freshness and/or to avoid contamination of its products.

**(d) Good Catering Practices and Food Handler Training**

The Group has a strong support centre team which makes routine visits to all Group-owned restaurants to ensure the requisite standards as determined by management are complied with. The support centre team and restaurant managers are required to undergo in-house training to familiarise themselves with the necessary quality-control procedures. Such training ensures that the Group's in-process quality control procedures are strictly implemented and adhered to.

**(e) Lab Tests**

Random lab tests are conducted with laboratory inspection equipment to ensure that the Group's products consistently meet the high quality standards as well as the taste preferences as demanded by the customers. These internal quality control audits are conducted by the Group's in-house quality assurance managers who visit the Group's restaurants on a routine basis.

## 5. BUSINESS OVERVIEW

### (f) Quality Customer Service

The management believes that service forms an important element in the overall dining experience of its customers. As such, all staff are required to attend in-house training prior to posting. In addition, the Group has in place a station observation checklist whereby a level of competency is demonstrated and checked off on the checklist.

Additionally, the Group outsources its mystery shopper programme to obtain feedback from the public and to further improve its quality of services rendered to customers.

### 5.10 MODES OF SALES AND MARKETING

The Group through BRoasters is responsible for promoting the KRR brand and products in Malaysia. In doing so, the Group sets aside on average 5% of its restaurants' revenue for advertising and to conduct other marketing initiatives for all KRR restaurants in Malaysia. Independent Franchisees also contribute towards the advertising and marketing initiatives conducted by the Group. Amongst the major marketing initiatives carried out by the Group include:-

#### (a) Back-to-Back Food Promotions

From time to time, the Group organises food promotions to promote new products and to attract new customers to its restaurants. Such promotions would be advertised and promoted through various advertising media to enable it to reach out to the greater mass.

#### (b) Network of Restaurants

The Group has restaurants in most major malls located throughout the country as well as in certain major airports and jetty which typically attract a large volume of visitors during weekends and public and school holidays. Its presence in these places creates brand awareness while providing opportunity for the public/visitors to frequent its restaurants.

#### (c) Leaflets Distribution

To increase the public's awareness of new product offerings and its delivery services, the Group distributes on the average 50,000 to 60,000 leaflets per month to areas of close proximity to the KRR restaurants. As part of its marketing plan, the delivery services include leaflets drop-offs to neighbouring houses of its customers.

#### (d) Television Commercials

The Group utilises television commercials as an effective tool to disseminate the message and information of the Group's products to its existing and prospective customers. The Group currently places about 3,060 spots per annum on both free-to-air television and paid television.

#### (e) Movie Tie-in, Premiums and Movie Premier Screenings

The movie industry in Malaysia is well received and very popular with most cineplexes well-patronised, especially on weekends, public and school holidays. The Group continuously intensifies its marketing and advertising promotions by signing up movie tie-ins, movie premier screenings and offers movie premiums to attract the local movie-going crowd.

**5. BUSINESS OVERVIEW****(f) Roadshow**

The Group participates in various trade fairs and exhibitions which are held throughout Malaysia to create brand awareness as well as to comprehensively promote the Group's products. In addition, the Group also runs its own charity-driven campaigns such as the annual Roasters Chicken Run and the yearly Roasters Health Watch Contest to promote healthy eating and lifestyle amongst the Malaysian public.

**(g) Outdoor Advertising**

The Group's outdoor advertising includes billboards, lift wraps and vehicle wraps in the form of large and prominent advertising structures which are exposed to the general public. The Group's billboards are mainly erected alongside prominent roads and highways throughout Malaysia.

**(h) Internet**

The Group has an active website, <http://www.krr.com.my>, where information relating to the Group's products and services are available to the public. The website is updated regularly to ensure that all the latest product offerings by the Group are reflected accordingly.

**5.11 APPROVALS, MAJOR LICENCES AND PERMITS**

Save as disclosed below, as at 31 January 2011, the Group (via BRoasters) has obtained the following approvals, major licences and permits for the operation of its business:-

Description of approval/licence/permit	Tenure of license/permit	Authority	Major conditions imposed	Status of compliance of major conditions
Business and signage licence <sup>(a)</sup>	All valid as at the LPD with different expiry dates but no later than 20 January 2012	Town councils of the relevant states	Staff handling food must have typhoid injection and food handlers certificate	Complied
"Halal" certification <sup>(b)</sup>	Two (2) years with various expiry dates	Islamic Development Department of Malaysia	All suppliers to be "Halal" certified	Complied
Music Authors' Copyright Protection certificate	With various tenure, all expiring on 31 December 2011	Music Authors' Copyright Protection Berhad	-	Not applicable
Public performance licence	1 January 2011 – 31 December 2011	Public Performance Malaysia Sdn Bhd	-	Not applicable

## 5. BUSINESS OVERVIEW

### Notes:-

- (a) *Out of the total fifty-one (51) Group-owned restaurants, the business and signage licences for two (2) Group-owned restaurants are still pending issuance/ approvals from the town council of the relevant states. In this respect, BRoasters has submitted all the relevant documents and paid all the related fees, and has taken the appropriate measures to comply with the authorities' requirements.*
- (b) *BRoasters has applied for the "Halal" certificates for two (2) recently-opened restaurants (October 2010) and is currently awaiting issuance of the certificates from the Islamic Development Department of Malaysia*

The Group has designated specific personnel to monitor and ensure full compliance of the above conditions imposed by the relevant authorities at all times. Periodically, these personnel would follow up with the relevant authorities on all matters pertaining to the licences.

### 5.12 BRAND NAMES, PATENTS, TRADE MARKS, LICENCES, TECHNICAL ASSISTANCE AGREEMENTS, FRANCHISES AND OTHER INTELLECTUAL PROPERTY RIGHTS

The Group carries on its business under the KRR trademark, service mark, trade dress and associated logo, pursuant to the MDA entered into between RAPM and BRoasters. As disclosed in Section 4.1 of this Prospectus, RAPM is a wholly-owned subsidiary of BGroup, which in turn is the holding company of BFood.

The salient terms of the MDA are set out in Section 5.13 of this Prospectus.

### 5.13 SALIENT TERMS OF THE CONTRACTS/ARRANGEMENTS ON WHICH THE GROUP IS HIGHLY DEPENDENT

Save for the MDA, as at the LPD, there are no other contracts or arrangements entered into by the Group which the Group is highly dependent on.

Amongst the salient terms of the MDA are as follows:-

#### **Development Rights**

- (a) Subject to the terms and conditions of the MDA, RAPM grants to BRoasters the rights to develop KRR restaurants in Malaysia ("**Development Rights**") for an initial term of twenty five (25) years commencing 1 January 2004 ("**Initial Term**"). The rights granted to BRoasters by the MDA are limited to Malaysia and BRoasters agrees that it has not been granted any rights other than the Development Rights in respect of KRR restaurants.
- (b) Pursuant to an agreement dated 19 February 2008 supplemental to the MDA ("**1<sup>st</sup> Amendment to MDA Agreement**"), RAPM and BRoasters agreed that the Development Rights shall be exclusive rights and RAPM shall not enter into new franchise agreements or allow any person (other than BRoasters) to open, operate and maintain KRR restaurants in Malaysia, provided always however that the franchise agreements entered into between RAPM and third party franchise owners prior to the 1<sup>st</sup> Amendment to MDA Agreement (inclusive of the franchise agreements then pending finalisation, as set out therein) to open, operate and maintain KRR restaurants in Malaysia shall not be affected and shall remain in full force and effect.

## 5. BUSINESS OVERVIEW

- (c) Subject to BRoasters' exclusive rights as set out in paragraph (b) above, RAPM retains all rights with respect to the KRR restaurants, the trademarks, service marks and trade dress (collectively, the "Marks") and the sale of KRR products, and other products and services, anywhere in the world, including, without limitation:-
- (i) the right to operate or grant others the right to operate KRR restaurants at such locations and on such terms and conditions as RAPM, in its sole discretion, determines; and
  - (ii) the right to develop, manufacture, distribute and/or sell KRR products, and other products and services through any channel of distribution or own or operate any business, under or in association with the Marks or any other trademark.
- (d) After the Initial Term, the MDA may, at BRoasters' option, be extended for an additional term of twenty five (25) years, provided that BRoasters has complied with the development schedule as set out in paragraph (k) below and is not in breach of its other obligations under the MDA. If, however, RAPM and BRoasters are not able to agree on a new development schedule prior to the expiry of the Initial Term, the MDA will terminate without affecting BRoasters' right to continue operating the KRR restaurants then existing.

### Training and Assistance

- (e) RAPM shall provide continuous training and assistance to BRoasters which include, but is not limited to, providing a copy of its operating manual and other materials describing the confidential and proprietary information, trade secrets, distinctive image, designs, business formats, methods, procedures, specifications and the Marks which RAPM has been granted the right to use in conjunction with operation of KRR restaurants (collectively, the "System"), providing BRoasters' personnel with initial and continuous training programmes conducted by RAPM, and providing periodic consultation with BRoasters' personnel.

### Specifications, Standards and Procedures

- (f) Subject to any applicable laws and regulations applicable to it or the operations of the KRR restaurants in Malaysia, BRoasters shall comply with all mandatory specifications, standards and operating procedures (whether contained in the operations manual or any other written communication by RAPM to BRoasters) relating to the operation of KRR restaurants.

### Insurance

- (g) During the term of the MDA, BRoasters agree to maintain insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the conduct of BRoasters' business pursuant to the MDA. The maintenance of sufficient insurance coverage shall be the responsibility of BRoasters. Notwithstanding any other provision of the MDA, RAPM shall have no obligation to prescribe types or amounts of insurance coverage and shall have no obligation to indemnify BRoasters if it does not do so or if the types or amounts of insurance coverage prescribed by RAPM are insufficient to fully cover a claim made against BRoasters.

## 5. BUSINESS OVERVIEW

### Records and Reports

- (h) BROasters shall immediately report to RAPM, as far as it is aware, any events or developments which may have a significant or material adverse impact on the operation of any of its KRR restaurant, the performance of BROasters under the MDA or the goodwill associated with the Marks and its KRR restaurants.

### Compliance with Law

- (i) BROasters shall secure and maintain in force in its name all licenses, permits, and certificates required for the performance of the MDA and comply with all applicable laws and regulations. BROasters shall further refrain from any business or advertising practice which may be injurious to the business of RAPM or BROasters and the goodwill associated with the Marks and the KRR restaurants.

RAPM and/or BROasters shall notify the other party within ten (10) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of RAPM, BROasters or a KRR restaurant.

### Fees

- (j) BROasters shall pay to RAPM on a monthly basis, royalty fees calculated at an agreed percentage of the gross sales of BROasters.

### Development Schedule

- (k) During the Initial Term, BROasters shall open and operate a minimum of one (1) KRR restaurant per year or a total of 25 KRR restaurants, within Malaysia. Such number of KRR restaurants opened shall be cumulative and, therefore, if additional KRR restaurants are opened ahead of schedule, these will be credited to the subsequent period of performance.

### Advertising

- (l) BROasters shall not use any advertising, marketing and promotional materials and programmes unless they have been approved by RAPM.

### Confidential Information

- (m) BROasters, on behalf of itself and its officers, acknowledges and agrees that neither BROasters nor any of its officers will acquire any interest in the Confidential Information, other than the right to use it in developing and operating KRR restaurants pursuant to the MDA, and that the use or duplication of the Confidential Information in any other business would constitute a breach of its obligations of confidentiality and an unfair method of competition. BROasters agrees on behalf of itself and its officers that during the term of the MDA and thereafter, that BROasters and its officers will, *inter alia*:
  - (i) not use the Confidential Information in any other business or capacity other than pursuant to the MDA and other agreements with RAPM;



## 5. BUSINESS OVERVIEW

- (ii) maintain the absolute confidentiality of the Confidential Information during and after the term of the MDA;
- (iii) not make unauthorised copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form; and
- (iv) adopt and implement all reasonable procedures prescribed from time to time by RAPM to prevent unauthorised use or disclosure of the Confidential Information including, without limitation, restricting access to Confidential Information and requiring directors, officers and employees who will have access to such information to execute confidentiality agreements in the form prescribed by RAPM.

For the purpose of the above provision, "**Confidential Information**" refers to all confidential and proprietary information possessed or developed by RAPM relating to the operation of the KRR restaurants, which includes the ingredients, formulas, recipes and methods of preparation of food sold at KRR restaurants and methods, techniques, formats, specifications, systems, procedures, methods of business management, sales and promotion techniques and knowledge and experience in the operation of KRR restaurants, which are disclosed by RAPM to BRoasters in the operating manual and in training, guidance and assistance furnished to BRoasters pursuant to the MDA.

BRoasters agrees to disclose to RAPM all ideas, concepts, methods, techniques and products relating to the development and operation of the KRR restaurants conceived or developed by BRoasters during the term of the MDA, and RAPM shall have a perpetual, non-exclusive and worldwide right, without any payment to BRoasters, to incorporate any such idea, concept, method, technique or product in System for use in all KRR restaurants operated by RAPM, its affiliates and their respective franchisees. BRoasters will not use any concept, method, technique or product developed by itself in the development or operation of a KRR restaurant without obtaining RAPM's prior written approval.

### Exclusive Relationship

- (n) RAPM has entered into the MDA with BRoasters on the express condition that with respect to the operation of businesses engaged in the sale of KRR products, BRoasters, its shareholders and its or their affiliates or spouses will deal exclusively with RAPM. Neither BRoasters nor any shareholders and its or their affiliates or spouses of BRoasters shall anywhere:-
  - (i) have any ownership interest in any competing business;
  - (ii) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any competing business; or
  - (iii) knowingly employ or seek to employ any person who is employed by RAPM, its affiliates or by any other licensee or franchise owner of a KRR restaurant, nor induce any such person to leave said employment without the prior written consent of such person's employer.

The restrictions of subparagraphs (i) and (ii) above shall not be applicable to the ownership of shares of a class of securities publicly traded in Malaysia that represent less than five percent (5%) of the number of the shares of that class of securities issued and outstanding. The restrictions of this section also shall not be construed to prohibit BRoasters or any of its shareholders and its or their affiliates and spouses from owning or operating any KRR restaurant, or any entity owning, controlling or operating a KRR restaurant, or from providing services to any KRR restaurant.

## 5. BUSINESS OVERVIEW

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RAPM and BRoasters agree that in addition to any equitable relief to which RAPM may be entitled pursuant to any violation of this section by BRoasters, BRoasters shall pay RAPM Ringgit Malaysia One Million (RM1,000,000) as agreed liquidated damages for any violation of this non-competition agreement.

### **Independent Contractors / Indemnification**

- (o) BRoasters shall indemnify, defend and hold harmless RAPM, its subsidiary and affiliated entities and their shareholders, directors, officers, employees, agents, successors and assignees (collectively, the "**Indemnified Parties**") against and to reimburse any one or more of them for all claims, obligations and damages that may be incurred by them directly or indirectly arising out of the operation of BRoasters' business under the MDA, whether or not caused by BRoasters' negligence or wilful action or failure to act, and any and all claims and liabilities directly or indirectly arising out of the use of the Marks in any manner not in accordance with the MDA. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of the MDA.

### **Marks**

- (p) BRoasters acknowledges that its right to use the Marks is derived solely from the MDA and is limited to its conduct of business pursuant to and in compliance with the MDA. Any unauthorized use of the Marks by BRoasters shall constitute a breach of the MDA and an infringement of RAPM's rights in and to the Marks. BRoasters acknowledges and agrees that its usage of the Marks and any goodwill established thereby shall inure to RAPM's exclusive benefit and that the MDA does not confer any goodwill or other interests in the Marks upon BRoasters.
- (q) In its use of the Marks, BRoasters shall identify itself as being entitled to use the Marks in the manner prescribed by RAPM. BRoasters shall not use any Mark as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form, and shall not use any Mark in connection with the performance or sale of any unauthorised services or products or in any other manner not expressly authorised in writing by RAPM. BRoasters shall prominently display the Marks on supplies or materials designed by RAPM and in connection with packaging materials, forms, labels and advertising and marketing materials in the manner prescribed by RAPM.
- (r) BRoasters shall immediately notify RAPM of any apparent infringement of or challenge to BRoasters' use of any Mark, or claim by any person of any rights in any Mark. Promptly upon such notification, RAPM will undertake, at its expense, an action to enjoin such infringement and obtain such other remedies as may be available. BRoasters shall not communicate with any person other than RAPM, its counsel or BRoasters' counsel in connection with any such infringement, challenge or claim, except as may be required by law.

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**5. BUSINESS OVERVIEW**

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- (s) RAPM agrees to indemnify BRoasters, its affiliates and their successors and assignees against and to reimburse any one or more of them for all claims for which it is held liable in any proceeding arising out of BRoasters' authorised use of any Mark pursuant to and in compliance with the MDA and for all costs it reasonably incurs in defending any such claim brought against it or any proceeding in which it is named as a party whether or not it is held liable in such proceeding, provided that BRoasters has timely notified RAPM of such claim or proceeding. RAPM, at its sole discretion, shall be entitled to defend any proceeding arising out of BRoasters' use of any Mark pursuant to the MDA, and if RAPM undertakes the defence of such proceeding, RAPM shall not have any obligation to indemnify or reimburse BRoasters, its affiliates and their successors and assignees with respect to any fees or disbursements of any counsel retained by BRoasters unless there is a conflict of interest requiring separate counsel. This indemnity shall continue in full force and effect notwithstanding the expiration or termination of the MDA.

**Transfer and Assignment**

- (t) RAPM shall have the right to sell, assign, or transfer all or any part of its rights or obligations in the MDA to any third party provided, however, the rights, duties, and obligations of RAPM under the MDA shall be assumed by the purchaser or assignee.
- (u) BRoasters shall not sell, assign, transfer, pledge, donate, mortgage, or encumber in any manner whatsoever, the MDA or the rights granted thereunder or a controlling interest in BRoasters without the express written approval of RAPM, which cannot be unreasonably withheld.
- (v) Notwithstanding any other provisions of the MDA, BRoasters shall not, without RAPM's prior written consent, which can be arbitrarily withheld, sell or offer to sell any security of BRoasters if such sale or offer would be required to be registered pursuant to the provisions of the securities laws of Malaysia or any other jurisdiction.

**Relocation of Restaurant**

- (w) Upon RAPM's approval, BRoasters may relocate a KRR restaurant to another location within the same city, municipality or province, not to exceed a distance of three (3) kilometres, subject to the terms and conditions set forth in the MDA and provided that BRoasters is in full compliance with the MDA, and all other agreements with RAPM at the date of request for approval. A KRR restaurant relocated will not be credited as a new restaurant for purposes of compliance with the development schedule in the MDA.

**Termination of MDA**

- (x) The MDA shall terminate on the happening of any of the following events:-
- (i) BRoasters fails or refuses to meet the development schedule set forth in paragraph (k) above and such default continues for a period of sixty (60) days after RAPM has sent BRoasters written notice of such default. Provided, however, that BRoasters may avoid this default and the resulting termination by paying RAPM a "deemed royalty" in the amount of the royalty fee then in effect for gross sales for each KRR restaurant that is then required to be opened until such KRR restaurant is opened. If after six (6) months, BRoasters has not complied with the development schedule, RAPM, may at its option, terminate the MDA by giving written notice of termination to BRoasters.

## 5. BUSINESS OVERVIEW

- (ii) upon BRoasters' failure to cure a breach of the MDA before the expiration of any period of time within which such breach may be cured in accordance with the provisions set forth in the MDA, or if:-
- BRoasters makes an unauthorised assignment or transfer of the MDA in violation of paragraph (u) above;
  - BRoasters or its shareholders has made a material misrepresentation or omission to RAPM in obtaining the rights under the MDA or is convicted by a trial court (and no further right to appeal exists) of, or pleads guilty to, a serious crime or offense that RAPM reasonably believes may adversely affect the goodwill associated with the Marks or the reputation of KRR restaurants;
  - either RAPM or BRoasters (1) is or acknowledges that it is unable to pay its debts when they fall due, commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of or a composition with its creditors; (2) takes any corporate action or other steps are taken or legal proceedings are started by third parties for its winding up, dissolution, administration or reorganization or for the appointment of a receiver, receiver and manager, official manager, liquidator, provisional liquidator, trustee or similar officer of it or of any or all of its revenues and assets and such proceedings have not been set aside within one hundred twenty (120) days; (3) commits an act of bankruptcy or assigns its estate for the benefit of creditors, or a petition for an order of bankruptcy or sequestration of its estate is presented by a receiver or a trustee in bankruptcy is appointed to any part of its property or estate; (4) takes any step to obtain protection or is granted protection from its creditors under any Legal Requirements; or (5) has current liabilities in excess of current assets and such action adversely affects the party's ability to perform under the MDA;
  - either party breaches any provision of the MDA and does not cure such breach within thirty (30) days after written notice of such failure to comply is delivered to the party in default; or
  - BRoasters habitually and materially breaches the MDA and RAPM, in good faith, has given formal written notice of default on eight (8) or more separate occasions within any twelve (12) month period, whether or not such breaches are cured, after notice thereof is delivered to BRoasters.

### **Rights and Obligations upon Termination**

- (y) All obligations of RAPM and BRoasters which expressly or by their nature survive the termination of the MDA or the expiration of the term of the MDA shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

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**5. BUSINESS OVERVIEW**

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Appended in the MDA as Exhibit A, is the template franchise agreement which was agreed to be entered into between RAPM and BROasters for the operation of each KRR restaurant. Pursuant to the letter dated 13 September 2010 exchanged between BROasters and RAPM, the parties confirmed their mutual understanding that such requirement had been and shall continue to be waived with effect from 1 January 2004, and that all franchise agreements executed prior to the letter based on such template shall cease to be valid and binding and the operation of all its KRR restaurants by BROasters shall be subject to the terms and conditions of the MDA.

**5.14 PRODUCT DEVELOPMENT**

The Group appreciates the importance of offering new menu items from time to time in order to attract frequent visits by its customers. In doing so, the Group has a product development team which works hand-in-hand with the suppliers to roll out new menu items in response to the changing taste of customers. The management considers market trends and feedback from customers and suppliers as the basis for regular review of its menus. Prior to the implementation of new products/offerings, the Group will run a series of quality control procedures to ensure consistent quality offerings to its customers. The management is responsible for the approval/introduction of any new dish and pricing.

The Group does not segregate its product development expenses for new menu items in its books as such expenses are absorbed into the respective overhead accounts.

**5.15 INTERRUPTION IN BUSINESS FOR THE PAST TWELVE (12) MONTHS**

There has not been any interruption in the Group's business that had a significant effect on the Group's operations during the past twelve (12) months.

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**5. BUSINESS OVERVIEW****5.16 PROPERTY, PLANT AND EQUIPMENT**

The Group's fixed assets include motor vehicles, office equipment, dining wares, furniture and fittings, plant and machinery, kitchen equipment as well as renovations carried out on its restaurants, all of which are incurred and held in the ordinary course of business.

As at the LPD, save for the above, the Group does not have any material tangible fixed assets.

A summary of the rented premises of the Group as at the LPD is set out below:-

No.	Tenant and postal address	Description	Tenure of tenancy
1	KRR Subang Parade Lot 10G, Lower Ground Floor Subang Parade No. 5, Jalan SS 16/1 47500 Subang Jaya Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	01/01/2010 to 31/12/2012
2	KRR Cheras Leisure Mall L1-24, Cheras Leisure Mall Jalan Manis 2 Taman Segar 56100 Cheras Kuala Lumpur	Retail lot located within shopping mall for the operation of KRR restaurant	16/02/2010 to 15/02/2013
3	KRR Setapak 126-01, 02, Sri Pelangi Shop and Apartment Jalan Genting Kelang Setapak 53300 Kuala Lumpur	Individual retail lot for the operation of KRR restaurant	01/11/2009 to 31/10/2012 (Lot 126-01)
			01/11/2009 to 31/10/2012 (Lot 126-02)
4	KRR Kota Raya Lot G05, G06 & Lot 1.07 Kompleks Kota Raya Jalan Cheng Lock 50000 Kuala Lumpur	Retail lot located within shopping mall for the operation of KRR restaurant	01/11/2010 to 31/10/2013 (Lot G05 & G06)
			01/04/2008 to 31/07/2011 (Lot 1.07)
5	KRR The Mall Lot 1.34, 1 <sup>st</sup> Floor, The Mall 100, Jalan Putra 50350 Kuala Lumpur	Retail lot located within shopping mall for the operation of KRR restaurant	Monthly basis
6	KRR Mahkota Parade F17, Mahkota Parade No.1, Jalan Merdeka 75000 Melaka	Retail lot located within shopping mall for the operation of KRR restaurant	15/07/2008 to 14/07/2011

**5. BUSINESS OVERVIEW**

No.	Tenant and postal address	Description	Tenure of tenancy
7	KRR IOI Mall, Puchong Lot G13A, G15 & G16, IOI Mall Batu 9, Jalan Puchong Bandar Puchong Jaya 47100 Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	31/05/2008 to 30/05/2011
8	KRR Seremban Parade Lot G28, New Alfresco Seremban Parade Jalan Dato Bandar Tunggal 70000 Seremban	Retail lot located within shopping mall for the operation of KRR restaurant	01/01/2010 to 31/12/2012
9	KRR The Mines Lot L1-87 & 88, The Mines Shopping Fair Jalan Dulang Off Jalan Balakong 43300 Seri Kembangan Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	01/07/2008 to 30/06/2011 (L1-87)
			01/01/2009 to 31/12/2011 (L1-88)
			15/04/2009 to 31/12/2011 (External sitting area - walkway)
10	KRR Kinta City Lot G01 & G45, Ground Floor Kinta City Shopping Centre Jalan Teh Lean Swee Ipoh Garden 31400 Perak	Retail lot located within shopping mall for the operation of KRR restaurant	16/08/2010 to 15/08/2013
11	KRR Sunway Pyramid LL2.96, Lower Level 2 Sunway Pyramid Mall 46150 Petaling Jaya Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	01/10/2010 to 30/09/2013
12	KRR AmCorp Mall L3-53 & L3-54, Third Floor AmCorp Mall Jalan Timur 47400 Petaling Jaya Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	27/11/2009 to 26/11/2012 (L3-53)
			27/11/2009 to 26/11/2012 (L3-54)
13	KRR Berjaya Megamall, Kuantan G83, Berjaya Megamall Kuantan Jalan Tun Ismail Sri Dagangan, Kuantan 25000 Pahang	Retail lot located within shopping mall for the operation of KRR restaurant	01/06/2008 to 31/05/2011

**5. BUSINESS OVERVIEW**

No.	Tenant and postal address	Description	Tenure of tenancy
14	KRR Mid Valley Megamall Lot LG 063, Mukim Kuala Lumpur Batu 2 ½ Jalan Kelang Lama 58000 Kuala Lumpur	Retail lot located within shopping mall for the operation of KRR restaurant	23/11/2008 to 22/11/2011
15	KRR Carrefour Subang Lot F3.01, Tingkat 3 Carrefour Hypermarket Jalan SS 16/1, Seksyen 16 Subang Jaya 46500 Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	01/01/2010 to 31/12/2012
16	KRR Genting Walk Lot F/L 2.11A, Level 2 First World Plaza Genting Highlands Resort 69000 Pahang	Retail lot located within shopping mall for the operation of KRR restaurant	01/12/2010 to 30/11/2011
17	KRR KL Sentral ERL Unit 1, Arrival Hall KL City Air Terminal KL Sentral Station 50470 Kuala Lumpur	Retail lot located within the vicinity of a transportation hub for the operation of KRR restaurant	01/01/2009 to 31/12/2011
18	KRR Berjaya Times Square Lot 03-85, P.O. Box 03.98 3 <sup>rd</sup> Floor, Berjaya Times Square No.1, Jalan Imbi 55100 Kuala Lumpur	Retail lot located within shopping mall for the operation of KRR restaurant	27/08/2009 to 26/08/2012
19	KRR KL Convention Centre Lot C8, Concourse Level Food Court Kuala Lumpur Convention Centre Kuala Lumpur City Centre 50088 Kuala Lumpur	Retail lot located within the food court of a shopping mall for the operation of KRR restaurant	02/06/2010 to 01/06/2013
20	KRR AEON Seremban 2 Lot G46, Ground Floor Jusco Seremban 2 Shopping Centre Persiaran S2BI, Seremban 2 70300 Seremban 2 Negeri Sembilan	Retail lot located within shopping mall for the operation of KRR restaurant	29/09/2008 to 28/09/2011



**5. BUSINESS OVERVIEW**

No.	Tenant and postal address	Description	Tenure of tenancy
21	KRR Equine Park Lot LG07, Lower Ground Floor AEON Taman Equine Shopping Centre No. 2, Jalan Equine Taman Equine Bandar Putra Permai 43300 Seri Kembangan Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	03/08/2010 to 02/08/2013
22	KRR AEON Tebrau City Lot S29, 2 <sup>nd</sup> Floor No.1, Jalan Desa Tebrau 81100 Johor Bahru Johor	Retail lot located within shopping mall for the operation of KRR restaurant	03/08/2009 to 02/08/2012
23	KRR Langkawi Jetty Point Lot No. SB-1N, Satellite Building Jetty Point Complex 07000 Kuah Langkawi, Kedah	Retail lot located within shopping mall for the operation of KRR restaurant	03/06/2010 to 02/06/2013
24	KRR Sunway Carnival, Seberang Jaya LG-09, Lower Ground Floor Sunway Carnival Mall 3068, Jalan Todak Pusat Bandar Seberang Jaya 13700 Seberang Jaya Pulau Pinang	Retail lot located within shopping mall for the operation of KRR restaurant	22/06/2010 to 21/06/2013
25	KRR Langkawi International Airport Zone C, Sky Mall Langkawi International Airport 07100 Padang Matsirat Langkawi, Kedah	Retail lot located within the vicinity of an airport for the operation of KRR restaurant	Monthly basis*
26	KRR Metro Point, Kajang Lot G-06, Ground Floor Metro Point Complex Jalan Semenyih 43000 Kajang Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	13/03/2010 to 12/03/2013

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No	Tenant and postal address	Description	Tenure of tenancy
27	KRR Boulevard, Kuching Lot G-B-3B & 4, Ground Floor Boulevard Shopping Mall Jalan Datuk Tawi Sli 93250 Kuching Sarawak	Retail lot located within shopping mall for the operation of KRR restaurant	12/01/2011 to 11/01/2014
28	KRR The Spring, Kuching Lot G-38 & G-39, Ground Floor The Spring Shopping Mall Jalan Simpang 3 93350 Kuching Sarawak	Retail lot located within shopping mall for the operation of KRR restaurant	10/01/2011 to 09/01/2014
29	KRR Penang International Airport Lot No. AL 02, Arrival Level Penang International Airport 11900 Bayan Lepas Pulau Pinang	Retail lot located within the vicinity of an airport for the operation of KRR restaurant	01/02/2008 to 31/01/2011
30	KRR Ipoh Parade Lot G27 & G28, Ground Floor Ipoh Parade Shopping Centre 105, Jalan Sultan Abdul Jalil Greentown 30450 Ipoh Perak	Retail lot located within shopping mall for the operation of KRR restaurant	16/03/2008 to 15/03/2011
31	KRR One Borneo Lot No. C315 Concourse Floor 1 Borneo Hypermall 88000 Kota Kinabalu Sabah	Retail lot located within shopping mall for the operation of KRR restaurant	31/05/2008 to 30/05/2011
32	KRR Tesco, Plertong, Lot G-07, Ground Floor Tesco Extra Johor Bahru No. 34, Jalan Masai Batu 10 81750 Johor Bahru	Retail lot located within shopping mall for the operation of KRR restaurant	03/07/2008 to 02/07/2011

**5. BUSINESS OVERVIEW**

No.	Tenant and postal address	Description	Tenure of tenancy
33	KRR AEON Seberang Perai City Shopping Centre Lot G-83, Ground Floor AEON Seberang Prai City Shopping Centre Perdana Mall Jalan Perda Timur Seberang Prai Tengah 14000 Bukit Mertajam Pulau Pinang	Retail lot located within shopping mall for the operation of KRR restaurant	22/08/2008 to 21/08/2011
34	KRR Setia Alam Lot G-12, Ground Floor Tesco Setia Alam No.2, Jalan Setia Prima SU13/S Bandar Setia Alam Seksyen U13 40170 Shah Alam Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	28/08/2008 to 27/08/2011
35	KRR Taiping Sentral Lot G-36 & G-37, Ground Floor Taiping Sentral No. 36, Jalan Istana Larut 34000 Taiping Perak	Retail lot located within shopping mall for the operation of KRR restaurant	31/08/2008 to 30/08/2011
36	KRR Tesco, Kota Bahru Lot G-13, Ground Floor Tesco Kota Bahru Lot 1828, Seksyen 17 Bandar Baru Kota Bahru 15050 Kelantan	Retail lot located within shopping mall for the operation of KRR restaurant	23/10/2008 to 22/10/2011
37	KRR Tesco, Tebrau City Lot G-6, Ground Floor Tesco Desa Tebrau No.1, Persiaran Desa Tebrau Taman Desa Tebrau 81100 Johor Bahru	Retail lot located within shopping mall for the operation of KRR restaurant	20/11/2008 to 19/11/2011
38	KRR Giant Kota Damansara Lot G-01, Giant Hypermarket Kota Damansara No. 16, Jalan PJU 5/1 Kota Damansara, PJU 5 47810 Petaling Jaya Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	27/11/2008 to 26/11/2011

**5. BUSINESS OVERVIEW**

<b>No.</b>	<b>Tenant and postal address</b>	<b>Description</b>	<b>Tenure of tenancy</b>
39	KRR AEON AU2, Ampang Lot G-69, Ground Floor AEON AU2 Shopping Centre No. 6, Jalan Taman Setiawangsa 37/56 Mukim Ulu Kelang 54200 Kuala Lumpur	Retail lot located within shopping mall for the operation of KRR restaurant	05/12/2008 to 04/12/2011
40	KRR Tropicana City Mall Lot G-15, Ground Floor Tropicana City Mall No.3, Jalan SS 20/27 47400 Petaling Jaya Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	18/12/2008 to 17/12/2011
41	KRR AEON Bukit Indah Lot G-6, Ground Floor AEON Bukit Indah Shopping Centre No.8, Jalan Indah 15/2 Bukit Indah 81200 Johor Bahru	Retail lot located within shopping mall for the operation of KRR restaurant	19/12/2008 to 18/12/2011
42	KRR AEON Bukit Raja Lot G-24, Jusco Bukit Raja Shopping Centre Persiaran Bukit Raja 2 Bandar Baru Klang 41150 Klang	Retail lot located within shopping mall for the operation of KRR restaurant	01/01/2011 to 30/06/2011
43	KRR Queensbay Mall LG-72 & LG-82, Queensbay Mall 100, Persiaran Bayan Indah 11900 Bayan Lepas Pulau Pinang	Retail lot located within shopping mall for the operation of KRR restaurant	01/09/2009 to 31/05/2013
44	KRR AEON Bukit Tinggi, Klang Lot G-21, No.1 Persiaran Batu Nilam 1/KS 6 Bandar Bukit Tinggi 2 41200 Klang Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	29/11/2010 to 28/11/2013

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No.	Tenant and postal address	Description	Tenure of tenancy
45	KRR Suria Sabah, Kota Kinabalu Lot B-73, Lower Ground Floor Suria Sabah Shopping Mall Jalan Tun Fuad Stephen 88000 Kota Kinabalu Sabah	Retail lot located within shopping mall for the operation of KRR restaurant	03/12/2009 to 02/12/2012
46	KRR Prima Kepong Lot F-16, Jusco Metro Prima Shopping Centre No.1, Jalan Metro Prima 52100 Kepong Kuala Lumpur	Retail lot located within shopping mall for the operation of KRR restaurant	13/12/2009 to 12/12/2012
47	KRR AEON Bandaraya Melaka G92, Ground Floor AEON Bandaraya Melaka Shopping Centre No.2, Jalan Lagenda Taman 1, Lagenda 75400 Melaka	Retail lot located within shopping mall for the operation of KRR restaurant	05/02/2010 to 04/02/2013
48	KRR Empire Shopping Gallery, Subang LG-33A, Lower Ground Floor Empire Shopping Gallery Jalan 16/1, SS16 47500 Subang Jaya Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	22/04/2010 to 21/04/2013
49	KRR AEON Mahkota Cheras Lot G-13, Ground Floor AEON Mahkota Cheras Shopping Centre Jalan Temenggung 21/9 Persiaran Mahkota Cheras 43200 Kajang Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	28/04/2010 to 27/04/2013
50	KRR Klang Parade Lot G-43A, Ground Floor Klang Parade No. 2112, KM2, Jalan Meru 41050 Klang Selangor	Retail lot located within shopping mall for the operation of KRR restaurant	15/10/2010 to 14/10/2013

**5. BUSINESS OVERVIEW**

No.	Tenant and postal address	Description	Tenure of tenancy
51	KRR 1 <sup>st</sup> Avenue Mall Lot 4-13A, 1 <sup>st</sup> Avenue Mall 182, Jalan Magazine 10300 Georgetown Pulau Pinang	Retail lot located within shopping mall for the operation of KRR restaurant	25/11/2010 to 24/11/2013
52	Head Office Lots 09-06 to 09-13 9 <sup>th</sup> Floor, Berjaya Times Square No.1 Jalan Imbi 55100 Kuala Lumpur	Retail lot located within shopping mall for the head office's operation	01/12/2008 to 30/11/2011

**Note:-**

- \* *Tenancy is currently on a monthly basis pending execution of new tenancy agreement with the new landlord*

All the abovementioned rented premises by BRoasters have obtained the necessary certificates of fitness. The Group believes that it is in compliance in respect to all relevant land rules and building regulations.

The total retail space rented by the Group amounts to approximately 115,000 square feet averaging 2,300 square feet for each rented premises with an average seating capacity of approximately 90 seats per KRR restaurant.

For the month of December 2010, the Group's total rental payable in respect of the abovementioned premises amounts to approximately RM1 million.

**5.17 REGULATORY REQUIREMENT AND ENVIRONMENTAL ISSUE**

To the best of the Group's knowledge, the Group is in compliance in respect of all material regulatory requirements and environmental issues which may materially affect the Group's operations and/or utilisation of assets. As at the LPD, the Group is not aware of any environmental proceedings or investigations which it is or might become a party to.

**5.18 MAJOR CUSTOMERS**

The Group does not have any major customer who had contributed 10% or more to the Group's revenue for each of the past three (3) years from FYE 2008 to FYE 2010 and the four (4)-month FPE 31 August 2010 as the Group's customers consist primarily of the mass retail market. In view thereof, the Group is not significantly dependent on any major customer.

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**5. BUSINESS OVERVIEW**

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**5.19 MAJOR SUPPLIERS**

The Group does not have any major supplier who had contributed 10% or more to the Group's total purchases for each of the past three (3) years from FYE 2008 to FYE 2010 and the four (4)-month FPE 31 August 2010. In view thereof, the Group is not significantly dependent on any major supplier.

Notwithstanding the above, the Group's main suppliers for the past three (3) years from FYE 2008 to FYE 2010 and the four (4)-month FPE 31 August 2010 are Farm's Best Food Industries Sdn Bhd and Dindings Poultry Processing Sdn Bhd for poultry products; English Hotbreads (SEL) Sdn Bhd for muffin and sauces; Unilever (M) Holdings Sdn Bhd for dressing and sauces; SK Dynamic Construction Sdn Bhd and Homedec Renovation Works for fittings and repair services; and F&B Facilities Sdn Bhd for kitchen equipment.

The Group has cultivated a strong and good working relationship with the Group's pool of suppliers. The Group has been dealing with a majority of these main suppliers for more than ten (10) years.

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## **6. INDUSTRY OVERVIEW**

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### **6.1 OVERVIEW OF THE GLOBAL ECONOMY**

The global economy recovery continued but at a moderating pace in the third quarter of 2010 following waning effect from the temporary fiscal stimulus that supported growth in the first half of 2010. Economic activities in the major advanced economies remained fragile, recording moderate expansion as private sector activities had yet to fully recover while the policy support had begun to fade. After registering an exceptional growth performance in the first half of 2010, most Asian economies continue to sustain a firm recovery, although the rate of expansion showed signs of moderation due to weaker external demand and dissipating low base effect. Compared to the second quarter of 2010, conditions in the international financial markets improved, particularly after the release of the results of the stress test on the European banks in July 2010. However, the euro area peripheral economies continued to face higher financing cost. In addition, the divergence in growth prospects between the advanced economies and emerging economies resulted in large and volatile capital inflows into the emerging economies, exerting upward pressure on asset prices and exchange rates. While authorities in the advanced economies have undertaken further quantitative easing to stimulate the economy, the authorities in the Asian region have adopted wide-ranging measures to mitigate the impact of capital flows on their economies.

*(Source: Quarterly Bulletin, Third Quarter 2010, Developments in the Third Quarter of 2010, International Economic Environment, Bank Negara Malaysia)*

### **6.2 OVERVIEW OF THE MALAYSIAN ECONOMY**

The Malaysian economy expanded strongly in the first half of 2010, underpinned by strengthening domestic demand, particularly in the private sector. As in other regional countries, Malaysia's export growth has, however, slowed in recent months. These conditions are expected to continue with the slowing of global growth underpinned by weaker global trade conditions and the ongoing sovereign debt problem in the Eurozone. Nevertheless, developing Asia continued to lead global growth through their resilient domestic demand. In Malaysia, economic growth decelerated to 8.9% year-on-year in the second quarter of 2010 on slower growth in net exports.

While these external developments may result in a moderation in the pace of growth of the Malaysian economy, moving forward, the overall growth will continue to be supported by the robust domestic economic activity. Leading indicators suggest that private consumption and private investment will continue to expand. This is also supported by the favourable labour market conditions, positive consumer and business sentiments, low inflation and conducive credit conditions.

The above, alongside improvement in consumer and business confidence has prompted the Malaysian Institute of Economic Research to maintain the economic growth rate to +6.5% year-on-year in 2010. Nevertheless, the economic growth rate is forecasted to moderate to +5.2% year-on-year in 2011.

*(Source: Malaysian Economic Outlook 3Q 2010, Malaysian Institute of Economic Research; and Monetary Policy Statement, 2 September 2010, Bank Negara Malaysia)*

### **6.3 OVERVIEW OF THE FOOD SERVICE INDUSTRY IN MALAYSIA**

Malaysia's food service market was estimated to be valued at RM19.8 billion to RM23 billion in 2009. These estimations exclude revenues from the catering business and from restaurants within hotels in Malaysia.

It is also estimated that the food service market in Malaysia will grow at an average of 10% to 15% in the coming years.



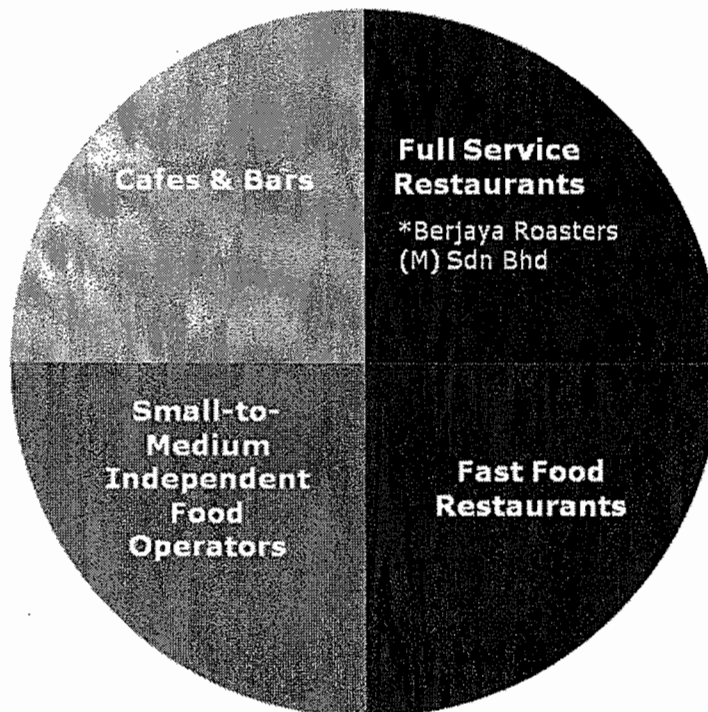
## 6. INDUSTRY OVERVIEW

The Malaysian food service industry is highly competitive. Consumers are spoilt for choices thus raising competition among food service companies. Not only do food service industry players have to innovate and produce, they need to sell reasonably good standards of food to win continued support and patronage from customers.

A large component of the food service industry in Malaysia comprises local food service restaurants, locally known as “mamak stalls”, and kiosks owned by small-to-medium scale business operators. Food industry experts estimate that there are at least 20,000 of these small scale food service operators in Malaysia.

Another well-recognised food service segment in Malaysia is the food chain operators. The food chain model is considered a western concept, where a food operator expands its business by establishing other outlets or through franchise. Although most of the popular fast food brands in Malaysia are of foreign-origin, trade specialists mentioned that local independent players are gradually adapting to the idea of franchising. The Malaysian Franchise Association reported a 15% increase in the number of registered franchise businesses, under the Registrar of Franchise, Ministry of Domestic Trade, Cooperative and Consumerism, in Malaysia from 2005 to 2009.

Malaysia’s food chain restaurants comprise mostly of cafés, fast food joints and FSRs. The Malaysian food service industry is divided into four (4) broad categories, namely:-



- FSR – Include restaurants that provide dine in services, with a sit down and serve concept;
- Fast Food Restaurants – Include outlets that provide dine in services, with a self service concept;
- Small-to-medium Independent Food Operators – Include the “mamak stalls” (operated and owned by Indian Muslims), Food Stalls, Kiosks and Street Vendors;
- Cafés & Bars – Include restaurants where drinks and light snacks are offered, with a sit down and serve concept/self service concept.

(Source: IMRR)

## 6. INDUSTRY OVERVIEW

### 6.4 GROWTH DRIVERS

Growth in the sector is seen to be directly related to the trends in consumer eating habits. Industry experts opine that Malaysians prefer to consume their meals outside of their homes. This is due to the fact that food stalls provide more variety and are a cheaper option for family meals. They also save families a lot of time in view of preparation of meals at home. Locals currently only consider cooking at home during weekends as a hobby or as an enriching activity for the family, as commented by the Chairman of Malaysian Muslim Restaurant Owners Association (commonly known as "PRESMA").

It is further noted that the Malaysian food industry follows the trends of locals from all age groups. The family crowds are catered for by the many types of restaurants offering numerous types of cuisine to cater for everyone in the family. The teenage crowd, which is usually known to come out later in the night, are catered for by the many restaurants that remain open for a longer period of time. The Chairman of PRESMA further believes that the opening of these restaurants has helped to curb youngsters from engaging in illegal or unhealthy activities.

#### ***Consumer Spending***

The food service industry is largely consumer-centric, as Malaysians spend almost 31.4% of their wages on food and non-alcoholic beverages (as measured in 2005). This constitutes the highest weightage in Malaysian household expenditure. It was noted that the average wage of Malaysians in all sectors have been consistently increasing.

The average Malaysian monthly consumption expenditure reached RM1,953 in 2004/05. As reported by a household expenditure survey, this was an increase from 1998/99 when it was RM1,631. It was further noted in the 2004/05 survey that households in urban areas spent RM2,285 monthly, 1.8 times more than rural households, who spend RM1,301 monthly. Converging Knowledge notes that there are no updated statistics available on the average monthly consumption expenditure in Malaysia. The last available information for the household expenditure survey was in 2005 and the latest household expenditure survey has been conducted in 2010 but the results from the survey are still pending release.

Converging Knowledge further notes that 70% of household expenditures are spent on four main groups, namely:-

- Food;
- Housing, Water, Electricity, Gas and Other Fuels;
- Transport; and
- Restaurants and Hotels.

As Malaysians continue to earn more, their spending power increases. Experts opine that expenditure on food, as a basic necessity, will increase. The increase in number of working mothers also increases the number of families that dine out for meals. These factors ensure that the food retail business is set to thrive under present economic conditions.

Industry experts and food stall owners in Malaysia have expressed that despite the rise in food ingredient prices, they have endeavoured to ensure that food prices are not affected. They opine it is unwise to constantly change their food prices and contribute the rise in cost to the unstable commodity prices globally.

#### ***Urbanisation***

Malaysia's increase in urban population saw a rise in the number of shopping malls developing in many parts of the country.

## 6. INDUSTRY OVERVIEW

As more of these shopping malls are developed, industry experts opine that there will be increased accessibility to food and beverage outlets. Locals also appear to prefer shopping in cool comfort, and spend more time in malls. Interviewees opine that locals prefer the concept of a shopping centre with various outlets available and hence, food stall owners would prefer to have their outlets in shopping centres as well. Locals interviewed said they prefer to consume their meals with families at nearby malls and food outlets within the proximity of their houses. Urbanisation has increased the establishment of more food outlets in the various states in Malaysia, hence allowing wider choices for the locals.

Kuala Lumpur is said to be the most densely populated city in Malaysia, with a number of "super-sized" shopping malls. According to data released by the National Property Information Centre, as of second quarter 2010, the average occupancy rate for shopping centres in Kuala Lumpur stands at 83.9%.

Interviews by Converging Knowledge suggest that the increase in the number of shopping malls in the country has also created a positive increase in the number of entrepreneurs in the food industry. With more outlets available, franchising has become an increasing trend in the country. With over 388 registered franchises in the country and an estimated 120 of them in the food business, the franchise industry is said to constitute approximately 5% of market share in the retail sector.

The food industry in Malaysia is set to grow with the increasing number of franchises in the country. Perbadanan Nasional Berhad has been appointed by the Ministry of Domestic Trade, Cooperative and Consumerism (formerly known as the Ministry of Entrepreneur and Cooperative Development) as the agency to support government policies in producing more entrepreneurs. These franchising entrepreneurs may decide to franchise local brands or acquire foreign brands.

### **Tourism**

The tourism department reported that in 2009, tourists in Malaysia have spent RM9.29 billion on food and beverage, an increase of 6% compared to RM8.77 billion in 2008. Malaysia's tourism industry is growing and is fast becoming a major tourist destination in Asia. In 2009, Malaysia recorded 23.6 million tourist arrivals and RM53.4 billion in tourist receipts. This is an increase of approximately 7.3% and 7.7% respectively from the previous year (2008: 22.0 million; RM49.6 billion). Tourist arrivals were recorded at 2.1 million in November 2010, representing an increase of approximately 2.8% from the same period of the previous year.

The Malaysian Tourism Ministry holds an annual "Fabulous Food 1 Malaysia", a street food festival held during the December period, which showcases Malaysian cuisine.

Other innovative and aggressive programmes, to benefit both locals and tourists, have been rolled out to boost tourism in the country. The Homestay programme allows local villagers to rent their rooms to tourists, providing an "authentic unique experience". Furthermore, approximately 500 Malaysian guides are said to be undergoing a three-month foreign language course. The languages being pursued include Russian, Arabic, South Korean, Japanese and French. These guides would boost the tourism sector and act as much needed aid to the tourists in Malaysia.

The launch of a Malaysian Healthcare Travel Council will aid in introducing Malaysia as a healthcare hub in the region. As at October 2009, the health tourism industry contributed RM300 million to the GDP but is expected to be able to contribute more than RM1 billion. As the government looks to collaborate with the private sector to strengthen the health service industry, an influx of health services tourists will benefit the local food industry.

Apart from appealing to general tourist avenues, Malaysia is also set to promote itself as a destination for MICE tourists. Tourism Malaysia is reportedly targeting the MICE market, which recorded an estimated 1.18 million MICE arrivals in 2009. This is considered a 150% increase since the opening of Malaysia's Kuala Lumpur Convention Centre in 2005.

## 6. INDUSTRY OVERVIEW

Malaysia is still bullish on its ability to attract tourists into the country after emerging strong from the impact of the H1N1 pandemic and the global economic crisis. The government and the private sector were quoted to have acted decisively to counter the impact of the crisis. The added measure of conducting audits on tourism products through the Innovation Center of Universiti Teknologi Malaysia has helped to maintain the standards of their tourism products.

(Source: IMRR)

### 6.5 INDUSTRY PLAYERS AND COMPETITION

It is estimated that there are approximately 65 well-recognised food chain brands in Malaysia, operated by 55 companies. These are mostly franchise brands that operate over 2,600 outlets across the country as at 30 July 2010. In terms of number of outlets as at 30 July 2010, the top five (5) leading food service chain brands are Kentucky Fried Chicken (494 outlets), Pizza Hut (208 outlets), Secret Recipe (200 outlets), McDonald's (196 outlets), and Old Town White Coffee (160 outlets).

As mentioned in Section 6.3 of this Prospectus, the food services industry comprises four (4) broad categories which consist of FSR, fast food restaurants, small-to-medium independent food operators and cafés & bars. The Group positions itself as an FSR operator within the industry. FSR are "family friendly" food establishments where customers are conveniently seated and are offered personalised table service. In view that the target market of FSR operators differs from the other categories of food operators within the industry, FSR operators should not be compared to other food operators.

The IMRR has identified below the closest competitors of BRoasters in the food service industry. Note that these players are all FSRs and have a similar food offering as BRoasters, which is poultry. They are also well-recognised food service operators in Malaysia.

	<b>BRoasters</b>	<b>Nando's Chickenland (M) Sdn Bhd</b>	<b>TCRS Restaurants Sdn Bhd</b>	<b>Rasamas Holdings Sdn Bhd</b>
<b>Principal activity</b>	Operation of KRR chain of restaurants	Operates Nando's chain of restaurants	Operator of restaurants selling chicken rice and related dishes	Operation of a chain of RasaMas restaurants
<b>Key Brands</b>	Kenny Rogers Roasters	Nando's	The Chicken Rice Shop ("TCRS")	RasaMas
<b>Number of Outlets*</b>	51	38	56	37
<b>Financial Year Ended</b>	30 April 2010	31 December 2009	31 December 2009	31 December 2009
<b>Revenue (RM mil)</b>	60.41	56.85	52.07	17.55
<b>Gross Profit (RM mil)</b>	22.63	38.74	31.52	9.39
<b>EBITDA (RM mil)</b>	15.90	6.53	4.61	(5.16)
<b>Profit/(Loss) before tax (RM mil)</b>	10.75	3.30	1.79	(9.78)
<b>Profit/(Loss) after tax (RM mil)</b>	9.03	1.76	1.07	(9.78)

**6. INDUSTRY OVERVIEW**

	<b>BRoasters</b>	<b>Nando's Chickenland (M) Sdn Bhd</b>	<b>TCRS Restaurants Sdn Bhd</b>	<b>Rasamas Holdings Sdn Bhd</b>
<b>Gross profit margin</b>	37.46%	68.14%	60.54%	53.50%
<b>PBT margin</b>	17.80%	5.80%	3.43%	-
<b>PAT margin</b>	14.95%	3.10%	2.05%	-
<b>Current ratio</b>	3.86	0.46	0.59	0.07
<b>Gearing ratio</b>	-	0.61	0.77	-

**Note:-**

\* There are no comprehensive statistics publicly available on the number of food chain outlets (by operator) in Malaysia. Interviews were conducted to ascertain the number of outlets of each chain operator, on a best effort basis. The number of outlets is as at 30 July 2010, except for BRoasters, which is based on the number of outlets as at the LPD.

(Source: IMRR)

A review of the aforementioned companies' financials shows that in terms of gross profit margin, Nando's secured a lead with 68.14%. However, TCRS comes close with a gross profit margin of 60.54%. BRoasters came in third with 37.46% in gross profit margin.

Notwithstanding the above, BRoasters posted the highest EBITDA, amounting to RM15.90 million. This reflects the company's efficiency as it is able to keep its operating costs lower as compared to its closest competitors, which is Nando's (EBITDA: RM6.53 million) and TCRS (EBITDA: RM4.61 million).

RasaMas incurred losses for the financial year ended 2009, amounting to RM9.78 million. This is due to the company's high selling and marketing expenses.

Amongst the factors that may affect competition among players in the FSR segment are as follows:-

**(a) Pricing**

Licensed franchise operators of FSRs have little control in terms of pricing. Since pricing is determined by the local franchisor, the franchisee has less advantage compared to non-franchise FSR players. As such, non-franchise FSRs have more flexibility in adjusting prices to attract customers.

Franchise operators tend to have higher operating costs, as compared to non-franchise FSRs. A franchised FSR must comply with standards set forth by the franchisor, and any fluctuation in its supplier's prices is not immediately passed on to the customer. However, this benefits the customers since pricing is more regulated, as compared to independent FSRs.

**(b) Branding**

FSRs can either be a foreign brand or a "home-grown" brand. Industry players find that there are a growing number of young Malaysians who are drawn to foreign brands due to western exposure or influence. Foreign branded restaurants are perceived to be more "trendy" and better in quality control, as compared to local restaurants offering similar services. Although foreign branded FSRs are said to be priced slightly higher than local restaurants, there are customers who are willing to pay a premium for the dining experience and "ambience".

## 6. INDUSTRY OVERVIEW

Chained restaurant brands, which are usually foreign franchise companies, are said to have more budget in terms of R&D and advertising. This enables them to promote its brand to the masses through commercials, as well as conduct R&D work, compared to local restaurant food operators that are conservative in their budgets.

### (c) Halal

Muslims comprise approximately 60% of Malaysia's population. In order to capture a significant market share, businesses need to ensure that the food served comply with the Muslim faith. This includes obtaining "Halal" certification from the Department of Islamic Development Malaysia.

### (d) Food Options

Poultry is a common staple in the Malaysian diet. FSRs that offer meals with this diet usually have a market advantage, as compared to restaurants that do not. Moreover, local restaurant operators also mentioned that there are a number of Malaysians who are becoming more aware of the benefits of healthy living. As such, restaurant operators are gradually including healthier food options to customers who are diet conscious.

### (e) Location

Industry specialists commented that restaurant patronage of FSRs may also vary depending on location. Some local FSRs tend to have higher patronage in areas that are outside the capital, Kuala Lumpur. They explain that locals in some Malaysian states (i.e. Sarawak) tend to be more nationalistic and opt for brands that they recognise as home-grown.

Meanwhile, there are areas in Malaysia where there are a growing number of foreign communities. Interviews with some locals revealed that Ampang, a suburb of Kuala Lumpur, has seen an increase in Korean residents. As such, there is a growing precinct of Korean restaurants and shops gaining popularity among residents, as compared to FSRs that serve local cuisine.

*(Source: IMRR)*

## 6.6 LEGISLATIONS, INCENTIVES AND POLICIES

### Healthy Lifestyle Campaign

The Malaysian government first embarked on a Healthy Lifestyle Campaign in May 1991. The campaign was initiated by MOHM and officiated by the then Minister of Health, Y.B Dato' Lee Kim Sai. The campaign's slogan was appropriately named "Love Your Heart". The focus of the campaign was to encourage the public to exercise, to encourage the public to consume nutritious food in appropriate amounts, and to curb the occurrence of various forms of stress.

The campaign was introduced in two phases, beginning from 1991 to 1996 (Phase 1) and 1997 to 2007 (Phase 2). Phase 1 focused on issues pertaining to common medical conditions/situations in Malaysia each year. This included the following themes:-

- Cardiovascular Diseases – 1991;
- Control and Prevention of Acquired Immune Deficiency Syndrome (more commonly known as AIDS)/Sexually Transmitted Diseases (more commonly known as STDs) – 1992;
- Food Hygiene – 1993;
- Health Promotion for Children – 1994;

## 6. INDUSTRY OVERVIEW

- Cancer – 1995; and
- Diabetes – 1996.

Phase 2 of the campaign was aimed at educating the public on specific behavioural traits/skills that would ensure a longer and healthy way of life. Phase 2 included the following themes:-

- Healthy Nutrition Campaign – 1997;
- Exercise and Physical Fitness Campaign – 1998;
- Safety and Injury Prevention Campaign – 1999;
- Mental Health Promotion – 2000;
- Healthy Family Campaign – 2001;
- Healthy Environment Campaign – 2002;
- Healthy Lifestyle Campaign (School Setting) – 2003 to 2004; and
- Healthy Lifestyle Campaign (Workplace Setting) – 2005 to 2007.

The above mentioned healthy lifestyle initiatives were intended to encourage the public to lead an overall healthy lifestyle and create awareness of common medical conditions. The campaign is set to continue beyond 2007 under the theme of “Lifelong Healthy Lifestyle”, and is to focus on five important concepts, namely:-

- Healthy Eating;
- Exercise and Physical Fitness;
- No Smoking;
- Handling Stress; and
- Healthy lifestyle without alcohol.

The healthy lifestyle campaign promotes competition among food service industry players in Malaysia. Since the campaign promotes social awareness on the benefits of having a healthy lifestyle, this affects Malaysians' way of life as they are gradually becoming more conscious of their food intake. This increases the demand for healthier food options where food service operators, who can cater to such a market, will have an edge over their competitors.

### Food Safety Policy

The food safety policy in Malaysia is governed by MOHM via its Department for FSQ. The objective of the Department for FSQ is to protect the public against health hazards and fraud in the preparation, sale and use of food. Its objectives are as follows:-

- Ensure that all food preparation, sale and storage of food material is safe and hygienic;
- Ensure that all food material sold are:-
  - Free from contamination and food additives, which are not required and fraudulent;
  - Compliance with the established legislations and regulations; and
  - Labelled and advertised in a clear and non misleading manner;
- Ensure that all food imported into the country is safe and in compliance with the Food Act 1983 and Food Regulations 1985;
- Ensure that food consignments exported by the country is in compliance with the regulations imposed by the importing countries; and
- Ensure that the public receives sufficient information on food safety aspects.

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The above mentioned objectives are to be executed and monitored by the Department for FSQ, in line with the requirements as stated in the Malaysian Food Act 1983 and the Malaysian Food Regulations 1985. These legislations are the basis for reference in terms of food and related food products' import, export, manufacturing, processing, labelling, and retail. The National Food Safety Policy provides the direction and emphasis to all related parties participating in the mentioned activities to develop and maintain food safety steps based on collaborations to protect consumer health. The National Food Safety and Nutrition Council further allows the MOHM and Department for FSQ to protect the consumer's safety and their nutrition with enhanced corporation and coordination to face new challenges in the various aspects of the food industry.

Malaysia has occasionally imposed stricter rules on a case-by-case basis to ensure the safety of its food products. Malaysia voluntarily halted its frozen seafood exports to the EU in June 2008, citing health standards imposed by the EU and to avoid an outright ban. Malaysia had to strengthen the health standards and pass the EU inspection before they were allowed to proceed with exports in May 2009.

### Malaysia Vision 2020

The Malaysian government has drawn up a series of Malaysian Plans to achieve the Malaysia Vision 2020 goal. Vision 2020 was a term coined by the former Prime Minister, His Excellency YAB Tun Dr Mahathir Mohamad, to ensure that Malaysia becomes a fully developed country by the year 2020.

#### (a) 9MP

The 9MP, part of the series of Malaysian Plans, was a five (5)-year economic blueprint that was announced in March 2006, and was the guiding plan till the year 2010.

The 9MP consists of five (5) major thrusts, namely the following:-

- Thrust One – To move the economy up the value chain;
- Thrust Two – To raise the capacity for knowledge, creativity and innovation and nurture 'first class mentality';
- Thrust Three – To address persistent socio-economic inequalities constructively and productively;
- Thrust Four – To improve the standard and sustainability of quality of life; and
- Thrust Five – To strengthen the institutional and implementation capacity.

Growth during the first three years (2006-2008) of the 9MP remained strong at an annual rate of 5.7%. However, the effects of the 2008 global financial crisis resulted in a contraction, reducing the average growth rate to 4.2% during the 9MP period (2006-2010).

In terms of sectoral performance, the services sector was a key growth area, expanding 6.8% per annum during the 9MP period. This was attributed to growth in the finance, insurance, real estate and business services, wholesale and retail trade, accommodation and restaurants, as well as the transport and communications sub-sectors.

#### (b) 10MP

The Malaysian government has allocated a RM230 billion budget to implement the 10MP. Similar to the 9MP, the 10MP is a five (5)-year economic blueprint from 2011 till 2015.



## 6. INDUSTRY OVERVIEW

The 10MP consists of five (5) major thrusts, namely:

- Thrust One – Creating the environment for unleashing economic growth;
- Thrust Two – Moving towards inclusive socio-economic development;
- Thrust Three – Developing and retaining a first-world talent base;
- Thrust Four – Building an environment that enhances quality of life; and
- Thrust Five – Transforming Government to transform Malaysia.

Some of the plans included in the 10MP are:

- Introduction of the Competition Law to promote healthy competition;
- Establishing a RM7 billion Working Capital Scheme (“WCS”) for small-to-medium enterprises, ensuring they have better access to financing facilities. Due to encouraging response to the WCS, the Malaysian government will provide an additional RM3 billion, raising a total of RM10 billion for the fund; and
- Foreign worker policy will be streamlined by introducing different levy rates according to foreign worker ratio in the company. The levies will vary depending on the foreign workers’ skill level, and higher rates will apply for lower-skilled workers. The rates are said to increase annually.

The services sector is expected to remain the primary source of growth during the 10MP period. Growth will continue to be driven by the expansion in finance and business services, wholesale and retail trade, accommodation and restaurants, as well as transport and communication sub-sectors.

(Source: IMRR)

### 6.7 DEMAND/SUPPLY CONDITIONS

#### 6.7.1 Demand Dependencies

##### *Growing Middle Class*

The growing middle class population group in Malaysia has spurred the development of the Malaysian food industry in many ways. Firstly, with an increase in consumer expenditure power, and as the middle class created more demand in the food industry in Malaysia, the food industry, as a whole, has become more profitable. The current middle class has numerous food options due to their bigger spending power, as compared to 15 to 20 years ago.

##### *Tourism*

With the increasing number of tourists visiting Malaysia, tourism is fast becoming a large influence in the dynamics of the food industry. The local government has established numerous initiatives to spur tourism in the country. One such initiative is the Malaysian Tourism Ministry’s efforts to promote Malaysian food. The ministry has endeavoured to classify several food dishes as being uniquely “Malaysian”, and encouraging tourists to visit Malaysia to experience Malaysian food. This move to promote local delicacies is seen as positive by industry players, and is expected to deliver a positive impact to the country’s food and service industry.

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**6. INDUSTRY OVERVIEW**

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***Healthier Lifestyle Trends***

A wide diversity of food is available to Malaysians in view of its multi-cultural environment. In addition, cheap and affordable food is in abundance in the country. However, healthier food options are not as widely available. Many local food operators have been slow in introducing healthier options due to low demand. Some food operators would only cater healthier options, for example reducing the use of oil, upon specific request from customers.

The general perception is that consumers wishing to have healthy meals would have to undertake their own cooking. Despite that, the Malaysian society is gradually becoming more image and health conscious, thus, increasing the demand for healthier food such as chicken or fish, or food prepared in a healthier manner, such as grilled or steamed.

***Eating out culture***

Eating out has become a growing trend in Malaysia. This trend has been attributed to several reasons. Firstly, busy schedules have left Malaysians with little time to cook and/or consume their meals at home. It has become more convenient to eat out or to purchase food from outside their homes, unless the household employs a maid. Competitive prices in the food industry have also made it more economical to eat out. Secondly, food stalls are known to provide more variety to the consumers, as compared to cooking at home. Lastly, the growing younger generation in the country are known to eat out more and during late hours of the day. Stall owners have now endeavoured to stay open for longer periods of the day to cater to this crowd. Stall vendors, especially the "mamak stalls", have seen an increase in their business as the "family" crowd consume their meals during normal dinner times, whereas the "lepak" crowd comes thereafter.

*(Source: IMRR)*

**6.7.2 Supply Dependencies*****Labour***

As at May 2010, Malaysia had approximately 1.9 million foreign workers spread across sectors. The contributing countries, by rank, include Indonesia (50.9%), Bangladesh (17.4%), Nepal (9.7%), Myanmar (7.8%) and India (6.3%).

Restaurants in Malaysia tend to employ Indian and Indonesian workers. Restaurant owners commented that they find nationals from these countries more "culturally aligned" with the locals. Indian restaurant workers, in particular, are in short supply. Nevertheless, restaurant owners explained that since India is progressing economically, they have become less interested in working overseas.

It has been reported that at least 10,000 workers are needed in the food services sector. Currently, organisations such as PRESMA are training locals to work in the restaurant sector. The training, which lasts for six months, is said to be subsidised by the Malaysian government. However, the shortage in supply remains as not many locals are willing to work as cooks, waiters or dishwashers in restaurants.

## **6. INDUSTRY OVERVIEW**

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### ***Cost of Food***

Although the cost of food generally co-relates to the prices of commodities and/or basic food ingredients, it is reported that the food retail industry will continue to stay competitive in terms of pricing. Intense competition has made competitive pricing the key way for local food businesses to remain viable. As such, a conscious effort has been made by local food operators not to pass the burden of rising costs to their consumers. In addition, the high volatility in the prices of commodities and basic food ingredients makes it impractical to adjust food prices frequently.

The cost of food varies in view of the fixed costs the operators have to bear. These fixed costs include rental costs, operations costs and manpower costs. Rental is said to be the largest contributor of varying food prices in Malaysia. Food outlets in central or developed areas and areas of high demand incur high rental fees and hence, charge more for food products. A similar food product in the suburbs would be much cheaper.

*(Source: IMRR)*

### **6.8 SUBSTITUTE PRODUCTS/SERVICES**

There are many substitutes for an FSR operator serving rotisserie chicken as its main product. With a myriad of food products to choose from, patrons can select from amongst others, other FSR operators, fast food restaurants, small-to-medium independent food operators, and cafés and bars.

### **6.9 INDUSTRY'S RELIANCE ON AND VULNERABILITY TO IMPORTS**

As the food services sector grows, so does the demand for raw material. Malaysia has a strong domestic livestock and poultry supply, but imports most of its beef, mutton, wheat and dairy products. Disruption in import sources and fluctuations in domestic food prices will, thus, affect the local food services sector in the country.

*(Source: IMRR)*

The bulk of materials used by most food services operators are relatively common food items. Whilst there is a large and readily available supply of materials and ingredients from local sources, certain materials and ingredients may be required to be obtained from imported sources. Nevertheless, the Malaysian government emphasis on the need to increase food production and self sufficient levels may reduce the industry's reliance and vulnerability to imports.

### **6.10 PROSPECTS AND OUTLOOK OF THE FOOD SERVICE INDUSTRY**

Restaurant operators are optimistic in their outlook for Malaysia's food service industry. Improved living standards, driven by the country's growing economy, are expected to contribute to an increase in consumer spending. Changes in lifestyle show a growing number of Malaysians expanding their food preferences and adapting to western-style "fast food". Due to busy schedules, some families are also finding it more convenient and cheaper to eat-out, rather than buy and prepare food at home.

The Malaysian government recognises the importance of the food service sector. To help restaurant owners in coping with manpower shortage, the Malaysian government released subsidies to support local restaurant operators. Through PRESMA, the government is able to provide training to locals who are interested in securing employment in the food services field.

## 6. INDUSTRY OVERVIEW

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Aside from food services, the food supply situation is also being addressed. In April 2008, the Malaysian government formulated the National Food Security Policy. The policy is aimed to overcome food crisis by:-

- (a) Increasing output and productivity of agro food sector to achieve self sufficiency level;
- (b) Ascertaining enough food supply of good quality and safe to consume; and
- (c) Ascertaining agriculture entrepreneurs (fishermen, farmer and breeder) get sufficient incomes that will ensure increment in output and production on agro food.

### ***Tourism contributes to growth***

The tourism sector is also contributing to the growth of the food service industry. As tourism arrivals rise, restaurants are expanding their food options in order to cater to foreign food preference. The tourism department reported that in 2009, tourists in Malaysia spent RM9.29 billion on food and beverage, an increase of 6% compared to RM8.77 billion in 2008.

### ***Consolidation***

Food service operators foresee that some consolidation may take place in their sector. During the periods from 1993 till 2005, which was considered the "boom" period for the food service industry, a number of food restaurant players had at least two outlets in operation. As a result of the 2008 economic crisis, some food service players closed down unprofitable food outlets. Others have also sought to consolidate their business with other operators in the industry. Restaurant operators view this positively since it will bring about "stronger" and more reliable food service players in Malaysia.

### ***Increasing number of SME operators***

Apart from consolidation, industry experts opine that there is an increasing number of SME operators in Malaysia. This may be attributed to infrastructural developments and construction of numerous shopping centres that will cater to the growth in SME operators. With an increase in shopping centres, there will be a demand for food outlets to attract and feed shoppers, thus presenting opportunities for existing and new food operators. The food service segment is expected to see further growth in view of an increasing emergence of young entrepreneurs. As the economy has recovered from the 2008 crisis, these entrepreneurs are expected to venture into the market in the quickest possible fashion.

### ***Forecast growth***

A growing Malaysian population and a growing economy provide huge market potential for the Malaysian food service industry to grow. Industry specialists forecast the food service sector in Malaysia to grow at about 10% to 15% annually.

(Source: IMRR)

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**6. INDUSTRY OVERVIEW**

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**6.11 FUTURE PLANS, STRATEGIES AND PROSPECTS****6.11.1 Future Plans and Strategies**

The management shall continue to adhere to the Group business model in pursuing its future plans. By adopting the Group's future plans and the following strategies, the management believes that they will be able to further strengthen the KRR brand as well as enhance profitability and returns to the Company's shareholders.

**(a) Increase the Number of Group-Owned Restaurants**

The management aims to continue to grow and expand its business as a leading mid-casual dining restaurant operator in Malaysia. To achieve this, the Group intends to increase the number of Group-owned restaurants in expanding its restaurant network to achieve overall revenue growth. Such expansion will be funded by internally generated funds.

The Group continuously assesses future opportunities as well as identifies and evaluates potential locations for its chain of restaurants. In doing so, the management remains highly focused on selecting and obtaining choice sites to open new Group-owned restaurants in places of high traffic volume. Subject to market conditions and other relevant factors (i.e. suitability of new locations, logistics), the management is currently targeting to open about five (5) new Group-owned restaurants in Peninsular Malaysia by the end of financial year ending 2011 of which three (3) are expected to be opened in Klang Valley, one (1) in the Northern Region of Peninsular Malaysia and one (1) in Malacca. The Group intends to open about ten (10) new Group-owned restaurants (at locations to be determined later) for the financial year ending 2012.

In considering new restaurant openings, emphasis will be on anticipated sales growth and increase in overall customer traffic. To manage the Group's overall growth, the management will closely monitor and regularly evaluate individual Group-owned restaurants and take timely action to enhance their business performance as appropriate.

During the FYE 2010, the Group had acquired two (2) existing business operations from Independent Franchisees as part of its business expansion plan and may acquire such further business operations to grow and expand the number of Group-owned restaurants.

**(b) Drive Same-Store Sales Growth and Profitability**

Despite achieving encouraging year-on-year average growth in revenue of approximately 22% from FYE 2006 to FYE 2010, the management believes that the Group is still capable of improving or achieving higher sales and growth potential in Malaysia. The management intends to continue meeting its customers' needs and drive sales growth and profitability by implementing the following strategic initiatives:-

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**6. INDUSTRY OVERVIEW**

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- (i) **Promote innovative advertising campaigns.** The management believes that its innovative advertising campaigns helped drive improvements in comparable sales and average restaurant sales. As detailed in Section 5.10 of this Prospectus, the Group employs a range of advertising tools which include, amongst others, television commercials, movie tie-ins and outdoor advertising. Moving forward, the Group will concentrate its marketing activities via television commercials which the management believes is the most effective way to reach out to customers.
- (ii) **Expand product offerings.** The Group will continue to introduce new menu items, including non-chicken range, such as lamb, fish, seafood and beef products, to attract new customers. The Group's menu selections are regularly reviewed and updated to accommodate changing market trends and differences in tastes and preferences in different geographical regions. Previously, the Group had been working hand-in-hand with its suppliers in dishing out new menu items. Recently, the Group has set up a product development team specifically for the purpose of research and developing new menu items. With this employment, the Group intends to introduce new products or new items to increase market share and to attract new customers/retain existing customers while being able to derive higher profit margin for the Group. Such new product offerings shall be introduced upon such product being made available and subject to the prevailing market conditions as well as consumer preferences. Prior to the beginning of each financial year, the Group will draw up a tentative schedule/promotion plan on the types of new products to be introduced during the said financial year and are normally targeted towards the school holidays and festive seasons.
- (iii) **Introduce tea-time menu.** At present, the restaurant sales of the Group are mainly generated during lunch and dinner hours. To better utilise the Group's restaurant infrastructure, fixed assets and other resources, the Group has introduced tea-time menus and will vary its tea-time menu occasionally to continue to attract customers seeking quick and affordable meal outside lunch/dinner hours. The Group has a major advantage as most of its restaurants are situated in locations with significant customer traffic throughout the day.
- (iv) **Delivery/catering services.** Since February 2008, the Group has introduced its delivery/catering services which has been carried out on its own as well as via third-party service provider, namely Asian Room Service, which provides delivery services only. As a move to increase the revenue contribution from delivery/catering services, the Group intends to embark on a series of marketing campaign to convey and to inform/educate its customers and the general public that such delivery/catering services has been made available at the convenience of its customers.

## 6. INDUSTRY OVERVIEW

- (v) **Refurbishment of restaurants.** As detailed in Section 5.5 above, the Group continuously refurbishes its restaurants to create a contemporary ambience for its customers. This has been made possible with the Group's own in-house interior designers who continuously refurbish the Group's restaurants via feedbacks obtained from customers. Generally, the Group refurbishes the Group-owned restaurants as and when the management deems necessary. Although this has no direct contribution to the profitability of the Group, the management believes that such action would create a conducive environment to attract new customers as well as to retain existing customers.
- (vi) **Promote healthy eating lifestyle.** As the society becomes more health conscious, the public tends to be more careful towards their selection of food. Hence, the Group's emphasis on preparing wholesome, hearty and well-balanced meal which mirrors today's discerning consumers' changing attitude towards healthy eating lifestyle. Generally, the Group's menu consists of offerings which are all steamed, baked or roasted. Such offerings appeals especially towards the younger generation and young working crowd who prefers dining in a comfortable environment which offers quick but healthy and tasty food.
- (vii) **Enhance the price/value proposition of products.** The Group will continue to use a variety of strategies to enhance the price-value proposition offered to its customers by offering limited time offers. As the Group's restaurants evolved to mid-casual dining concept, the Group had developed an array of value meals which includes amongst others, Kenny's Chicken Meal, Jacket Potato Meal and Kenny's Pasta Meal.

### (c) Professional Development of Employees

The Group will continue to enhance the service and quality of its employees through systematic supervision, as well as regular and well-designed training programmes. Greater emphasis has been placed on the professional development across all levels of the Group's employees. The Group has also introduced new incentives schemes, including the ESOS, to motivate and reward the Group's existing employees and to attract qualified candidates.

As set out in Section 7.9.2 of this Prospectus, the Group has specially tailored in-house training and development programmes for its employees. The training and development programmes are being closely monitored and reviewed and where necessary, improvised and/or updated to be in-line with the latest developments in the market to cope with changing consumer taste or preferences.

Depending on the Group's business requirements and future expansion plans, the Group may consider expanding its in-house training team, establishing a training institute and/or tying up with other educational institutions to improve the quality of its employees.

The Group firmly believes that its commitment towards employee excellence will lead to strong business growth as well as more refined customer services with high customer satisfaction level.

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**6. INDUSTRY OVERVIEW**

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**(d) Setting-up of a Distribution and Quality Control Centre (“DQCC”)**

The Group is currently exploring the feasibility of setting up a DQCC. If implemented, the DQCC shall enable the Group to better manage and control its food costs as well as ensuring consistency in the quality of products throughout the KRR restaurants.

**6.11.2 Prospects**

Premised on the foregoing, the prospects and outlook, and growth drivers of the industry as set out in Section 6.3 and Section 6.4 of this Prospectus, the Board is of the view that the Group will enjoy positive growth and favourable prospects in the long run.

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**7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

**7.1 PROMOTER AND SUBSTANTIAL SHAREHOLDERS**

**7.1.1 Shareholdings of Promoter and Substantial Shareholders**

Based on BFood's Register of Substantial Shareholders, the direct and indirect shareholdings of the Promoter and other substantial shareholders in the Company as at the date of this Prospectus and upon Listing are as follows:-

	Nationality/ Country of incorporation	As at the date of this Prospectus		After the Offer For Sale		Upon full exercise of ESOS Options			
		Direct	Indirect	Direct	Indirect	Direct	Indirect		
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Promoter and substantial shareholder</b>									
BGroup	Malaysia	141,348,000	100.00	-	-	105,511,000	74.65	-	-
<b>Substantial shareholders</b>									
BCorporation TSVT	Malaysia Malaysian	-	-	141,348,000 <sup>(a)</sup>	100.00	-	-	105,511,000 <sup>(a)</sup>	70.91
		-	-	141,348,000 <sup>(b)</sup>	100.00	-	-	105,511,000 <sup>(b)</sup>	70.91

**Notes:-**

(a) Deemed interested by virtue of its 100% direct interest in BGroup

(b) Deemed interested by virtue of his direct and indirect interests in BCorporation and his indirect interest in BGroup

## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 7.1.2 Profiles of Promoter and Substantial Shareholders

The profiles of the Promoter and substantial shareholders of BFood are as follows:-

#### (a) BGroup

BGroup is the Promoter and the Offeror for the Offer For Sale.

BGroup was incorporated on 31 July 1967 as a private limited company under the Act under the name of Raleigh Cycles (Malaysia) Sdn Bhd. It was converted into a public company on 2 November 1968 and assumed the name of Raleigh Cycles (Malaysia) Bhd. On 5 April 1985, it changed its name to Raleigh Bhd, which was subsequently changed to Inter-Pacific Industrial Group Berhad on 14 March 1989 and to its present name on 25 September 1991. The registered address of BGroup is Lot 13-01A, Level 13 (East Wing), Berjaya Times Square, No.1 Jalan Imbi, 55100 Kuala Lumpur.

BGroup was officially listed on the Main Board of Bursa Securities under the name of Raleigh Cycles (Malaysia) Bhd on 13 February 1969. Through a group restructuring exercise the listing status of BGroup was assumed by BCorporation, which was listed on Bursa Securities on 3 January 2006.

The principal activities of BGroup consist of investment holding and provision of management services. The subsidiaries and associated companies of BGroup are principally engaged in the following core businesses:-

- Financial services;
- Manufacturing and sales of products including knitted fabrics and garments, washing detergents, computerised lottery and voting systems;
- Property development and investment in properties;
- Vacation timeshare, hotels, resorts and recreation development;
- Restaurants;
- Consumer marketing and direct selling;
- Publication, printing and distribution of daily newspaper; and
- Investment holding and others.

The authorised, and issued and paid-up share capital of BGroup as at the LPD are as follows:-

	No. of shares	Par value RM	Amount RM
Authorised	5,000,000,000	1.00	5,000,000,000
Issued and paid-up	299,634,614	1.00	299,634,614

## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

The particulars of BGroup's directors and substantial shareholders and their respective shareholdings in BGroup as at the LPD are as follows:-

Name	Nationality/ Country of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
<b><u>Directors</u></b>					
Chan Kien Sing	Malaysian	-	-	-	-
Freddie Pang Hock Cheng	Malaysian	-	-	-	-
Rayvin Tan Yeong Sheik	Malaysian	-	-	-	-
Vivienne Cheng Chi Fan	Malaysian	-	-	-	-
Dato' Azlan Meah Bin Hj Ahmed Meah	Malaysian	-	-	-	-
<b><u>Substantial shareholders</u></b>					
BCorporation	Malaysia	299,634,614	100.00	-	-
TSVT	Malaysian	-	-	299,634,614 <sup>(a)</sup>	100.00

**Note:-**

(a) Deemed interested by virtue of his direct and indirect interests in BCorporation

**(b) BCorporation**

BCorporation was incorporated in Malaysia on 30 July 2001 under the Act as a private limited company under its present name. It was converted to a public company on 18 August 2005.

Upon completion of a group restructuring exercise which resulted in BGroup becoming a wholly-owned subsidiary of BCorporation, BCorporation was listed on the Main Market of Bursa Securities on 3 January 2006.

The principal activities of BCorporation are investment holding and provision of management services. The subsidiary companies of BCorporation are principally engaged in the following core businesses:

- Financial services;
- Marketing of consumer products and services;
- Restaurants;
- Property development and investment in properties;
- Development and operation of vacation time share, hotels and resorts, water theme park and operating of a casino;
- Operations of toto betting under Section 5 of the Pool Betting Act, 1967;
- Leasing of on-line lottery equipment;
- Manufacturing and sales of products including knitted fabrics and garments, washing detergents, computerised lottery and voting systems; and
- Investment holding and others.

## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

The authorised, and issued and paid-up share capital of BCorporation and details of BCorporation's 0% Irredeemable Convertible Unsecured Loan Stocks 2005/2015 ("ICULS") as at the LPD are as follows:-

	No. of shares/ ICULS	Par/Nominal value RM	Amount RM
<b>Ordinary shares</b>			
Authorised	12,000,000,000	1.00	12,000,000,000
Issued and paid-up	4,210,573,089 *	1.00	4,210,573,089
ICULS	702,857,265	0.50	351,428,633

**Note:-**

\* Inclusive share buy-back of 24,500,000 ordinary shares of RM1.00 each in BCorporation

The particulars of BCorporation's substantial shareholders and their respective shareholdings in BCorporation as at the LPD are as follows:-

Name	Nationality/ Country of incorporation	Shares			
		Direct		Indirect	
		No. of shares	%	No. of shares	%
TSVT	Malaysian	827,465,000	19.77	895,118,021 <sup>(a)</sup>	21.38
Hotel Resort Enterprise Sdn Bhd	Malaysia	513,441,995	12.27	-	-
UBS AG	Switzerland	324,496,500	7.75	-	-
The Goldman Sachs Group, Inc	United Kingdom	-	-	487,480,500 <sup>(b)</sup>	11.64

**Notes:-**

- (a) Deemed interested by virtue of his interests in B & B Enterprise Sdn Bhd, HQZ Credit Sdn Bhd, Lengkap Bahagia Sdn Bhd, Hotel Resort Enterprise Sdn Bhd, Nostalgia Kiara Sdn Bhd, Berjaya Assets Berhad, Superior Structure Sdn Bhd and Berjaya Media Berhad as well as his deemed interests in Nautilus Corporation Sdn Bhd, Desiran Unggul Sdn Bhd, Sublime Cartel Sdn Bhd, Berjaya Times Square Sdn Bhd, Premier Merchandise Sdn Bhd, Gemtech (M) Sdn Bhd and 7-Eleven Malaysia Sdn Bhd.
- (b) Indirect interest through Goldman Sachs International ("GSI"). GSI is a subsidiary of Goldman Sachs Holdings (United Kingdom), which is a subsidiary of Goldman Sachs Group Holdings (United Kingdom), which in turn is a subsidiary of Goldman Sachs (United Kingdom) L.L.C. The Goldman Sachs Group, Inc. is the direct holding company of Goldman Sachs (United Kingdom) L.L.C and the ultimate holding company of the other aforementioned entities.

## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

The particulars of BCorporation's directors and their respective shareholdings in BCorporation as at the LPD are as follows:-

Name	Nationality	Shares				ICULS			
		Direct		Indirect		Direct		Indirect	
		No. of shares	%	No. of shares	%	No. of ICULS	%	No. of ICULS	%
TSVT	Malaysian	827,465,000	19.77	895,465,000 <sup>(a)</sup> 9,000,000 <sup>(b)</sup>	21.38 0.21	-	-	347,801,307 <sup>(d)</sup>	49.48
Tan Sri Dato' Tan Chee Sing	Malaysian	57,752,691	1.38	1,352,568 <sup>(b)</sup> 17,750,000 <sup>(c)</sup>	0.03 0.42	-	-	500,000 <sup>(b)</sup> 2,615,000 <sup>(c)</sup>	0.07 0.37
Dato' Robin Tan Yeong Ching	Malaysian	722,847	0.02	5,000 <sup>(b)</sup>	*	-	-	300,000 <sup>(b)</sup>	0.04
Chan Kien Sing	Malaysian	47,688	*	-	-	-	-	-	-
Freddie Pang Hock Cheng	Malaysian	217,388	0.01	143,300 <sup>(b)</sup>	*	-	-	-	-
Rayvin Tan Yeong Sheik	Malaysian	316,000	0.01	-	-	385,000	0.05	-	-
Vivienne Cheng Chi Fan	Malaysian	4,400	*	10,000 <sup>(b)</sup>	*	-	-	-	-
Dato' Azlan Meah Bin Hj Ahmed Meah	Malaysian	-	-	-	-	11,075	*	-	-
Datuk Robert Yong Kuen Loke	Malaysian	1,020,548	0.02	-	-	741	*	-	-
Tan Sri Datuk Abdul Rahim Bin Haji Din	Malaysian	33,600	*	-	-	-	-	-	-
Dato' Suleiman Bin Mohd Noor	Malaysian	20,200	*	-	-	-	-	-	-
Dato' Hj Md Yusoff @ Mohd Yusoff Bin Jaafar	Malaysian	-	-	-	-	-	-	-	-
Mohd Zain Bin Ahmad	Malaysian	-	-	-	-	-	-	-	-

## Notes:-

\* Negligible

(a) Deemed interested by virtue of his interests in B & B Enterprise Sdn Bhd, HQZ Credit Sdn Bhd, Lengkap Bahagia Sdn Bhd, Hotel Resort Enterprise Sdn Bhd, Nostalgia Kiara Sdn Bhd, Berjaya Assets Berhad, Superior Structure Sdn Bhd and Berjaya Media Berhad as well as his deemed interests in Nautilus Corporation Sdn Bhd, Desiran Unggul Sdn Bhd, Sublime Cartel Sdn Bhd, Berjaya Times Square Sdn Bhd, Premier Merchandise Sdn Bhd, Gemtech (M) Sdn Bhd and 7-Eleven Malaysia Sdn Bhd

(b) Indirect interest held pursuant to Section 134(12) (c) of the Act.

(c) Indirect interest held pursuant to Section 6A of the Act.

(d) Indirect interests held through the subsidiaries of BCorporation and Section 6A of the Act.

**7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

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**(c) TSVT**

TSVT, aged 58, is a businessman and entrepreneur with varied interests in property development and investment, gaming, stockbroking, manufacturing, trading, hospitality, Internet-related businesses, utilities, media, telecommunications, insurance and education through various public and private companies namely, BCorporation Group, Berjaya Media Berhad, Berjaya Assets Berhad, Berjaya Retail Berhad, Cosway Corporation Limited (listed on the Stock Exchange of Hong Kong Limited), MOL.com Berhad, MOL AccessPortal Berhad, Informatics Education Ltd, Intan Utilities Berhad and U Mobile Sdn Bhd.

He is currently the Chairman of BCorporation. He is also the Chairman of Berjaya Times Square Sdn Bhd, 7-Eleven Malaysia Sdn Bhd and U Mobile Sdn Bhd, a 3G mobile phone operator in Malaysia and the Managing Director/Chief Executive Officer of Sports Toto Malaysia Sdn Bhd.

He also holds directorships in Berjaya Hills Berhad, Berjaya Vacation Club Berhad as well as several other private limited companies.

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## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 7.1.3 Changes in the Promoter and Substantial Shareholders and Their Direct and Indirect Shareholdings in BFood Since Incorporation

The changes in the Promoter and substantial shareholders and their respective direct and indirect shareholdings in BFood since its incorporation up to the date of this Prospectus and upon Listing are as follows:-

Promoter and/or substantial shareholder	As at 21.10.09 being the incorporation date		As at the date of this Prospectus		After the Offer For Sale		Upon full exercise of ESOS Options		
	Direct No. of shares*	Indirect No. of shares*	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares	
BGroup	-	-	141,348,000	-	105,511,000	-	105,511,000	-	-
<u>Substantial shareholders</u>									
Tan Lay Hian	1	-	-	-	-	-	-	-	-
Yeoh Cheng Lee	1	-	-	-	-	-	-	-	-
BCorporation	-	-	-	141,348,000 <sup>(a)</sup>	-	105,511,000 <sup>(a)</sup>	-	105,511,000 <sup>(a)</sup>	70.91
TSVT	-	-	-	141,348,000 <sup>(b)</sup>	-	105,511,000 <sup>(b)</sup>	-	105,511,000 <sup>(b)</sup>	70.91

**Notes:-**

\* Ordinary shares of RM1.00 each in BFood which was subsequently subdivided into ordinary shares of RM0.50 each in BFood on 28 October 2009

(a) Deemed interested by virtue of its 100% direct interest in BGroup

(b) Deemed interested by virtue of his direct and indirect interests in BCorporation and his indirect interest in BGroup

**7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT****7.2 CONTROLLING SHAREHOLDERS**

The persons, who directly or indirectly, jointly or severally, exercise control over the Group are BGroup, BCorporation and TSVT. The details and shareholdings of the aforementioned parties are set out in Section 7.1 of this Prospectus.

**7.3 DIRECTORS****7.3.1 Particulars of Directors**

The Directors of BFood based on the Register of Directors of BFood as at the LPD and their particulars, are as follows:-

Directors	Nationality	Designation	Date of appointment	Date of expiration of current term of office	No. of years in office *
Dato' Robin Tan Yeong Ching	Malaysian	Executive Chairman	20 May 2010	(a)	< 1 year
Dato' Lee Kok Chuan	Malaysian	Chief Executive Officer	20 May 2010	(a)	< 1 year
Datuk Zainun Aishah Binti Ahmad	Malaysian	Independent Non-Executive Director	20 May 2010	(a)	< 1 year
Dato' Mustapha Bin Abd Hamid	Malaysian	Independent Non-Executive Director	20 May 2010	(a)	< 1 year
Tan Thiam Chai	Malaysian	Non-Independent Non-Executive Director	20 May 2010	(a)	< 1 year

**Notes:-**

\* BFood was incorporated on 21 October 2009

(a) All the Directors of BFood have been re-elected on 25 October 2010 being the date of BFood's first annual general meeting. In accordance with Article 94 of the Articles of Association of BFood, one-third (1/3) of the Directors of BFood shall retire from office at each subsequent annual general meeting and be eligible for re-election provided always that each Director of BFood shall retire from office at least once in every three (3) years



## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 7.3.2 Profiles of Directors

The profiles of the Directors of the Company are as follows:-

**Dato' Robin Tan Yeong Ching**, aged 36, is the Executive Chairman of BFood. He was appointed to the Board on 20 May 2010 and has been a Director of BRoasters since 2009. He graduated with a Bachelor of Social Science Degree in Accounting/Law from the University of Southampton, United Kingdom, in 1995. He joined BGroup in 1995 as an Executive and was promoted to General Manager, Corporate Affairs in 1997. He is currently the Chief Executive Officer of BCorporation and Berjaya Sports Toto Berhad, an Executive Director of Sports Toto Malaysia Sdn Bhd, a Director of Berjaya Golf Resort Berhad, Berjaya Sompoo Insurance Berhad, Berjaya Hills Berhad, KDE Recreation Berhad and the Chairman of MOL.com Berhad, Berjaya Media Berhad and Sun Media Corporation Sdn Bhd. He also holds directorships in several other private limited companies in the BCorporation group of companies.

**Dato' Lee Kok Chuan**, aged 51, is the Chief Executive Officer of BFood. He was appointed to the Board on 20 May 2010 and has been a Director of BRoasters since 1998. He graduated with a Bachelor of Economics (Accounting Major) from Monash University, Melbourne, in 1983 and is a Fellow Member of the Institute of Chartered Accountants in Australia. He has over 10 years of working experience in the fields of accounting, auditing and corporate services with major international accounting firms including Messrs Ernst & Whinney, Kuala Lumpur (now known as Ernst & Young), Messrs Arthur Young, Melbourne and Messrs Ernst & Young, Melbourne. He is currently a Director of Berjaya Capital Berhad, MOL Accessportal Berhad, and Silver Bird Group Berhad. He also holds directorships in several other private limited companies in the BCorporation group of companies. His area of responsibilities covers all the food and beverage companies in the BCorporation group of companies, namely Starbucks Coffee, Kenny Rogers Roasters, Papa John's Pizza, Krispy Kreme doughnuts and Wendy's with over 15 years of experience in the food and beverage business.

**Datuk Zainun Aishah Binti Ahmad**, aged 64, is the Independent Non-Executive Director of BFood. She was appointed to the Board on 20 May 2010. She graduated from the University of Malaya with an Honours Degree in Economics. She began her career with Malaysian Industrial Development Authority ("MIDA"), the Malaysian government's principal agency for the promotion and coordination of industrial development in the country where she worked for 35 years. In her years of service, she held various key positions in MIDA as well as in some of the country's strategic council, notably her pivotal role as the National Project Director in the formulation of the first Malaysian Industrial Master Plan. She was the Director-General of MIDA for nine (9) years and Deputy Director-General of MIDA for eleven (11) years. Whilst in MIDA, she also sat on various committees/authorities at national level, including being a member of the Industrial Coordination Act Advisory Council, Defence Industry Council, National Committee on Business Competitiveness Council, Malaysia Incorporated and the National Project for Majlis Penyelarasan Perindustrian before retiring in September 2004. She was also a Director of Tenaga Nasional Berhad for nine (9) years and Malayan Banking Berhad for four (4) years. Datuk Zainun Aishah Binti Ahmad's current directorships in public companies are Berjaya Media Berhad, Scomi Engineering Berhad, Microlink Solutions Berhad, Shell Refining Company (Federation of Malaya) Berhad and Degem Berhad.

## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

**Dato' Mustapha Bin Abd Hamid**, aged 58, is the Independent Non-Executive Director of BFood. He was appointed to the Board on 20 May 2010. He graduated from the Royal Military College in 1972 and went on to obtain a Bachelor Degree (Honours) in Social Science from Universiti Sains Malaysia, Penang, in 1977, and a Diploma in Public Management from the National Institute of Public Administration Malaysia (more commonly known as INTAN), in 1978. He started his career as an Administrative and Diplomatic Officer of the Research Division in the Prime Minister's Department and was posted as the First Secretary of the Malaysian Embassy in Paris, France (1982-1985). During his 16 years in the public service sector, Dato' Mustapha Bin Abd Hamid was also the Consul of Consulate General Malaysia in Medan, Indonesia (1990-1993) and the Principal Assistant Director in the Prime Minister's Department (1993-1994). He is presently the Chairman of Teo Guan Lee Corporation Berhad, a listed company on the Main Market of Bursa Securities. In addition, Dato' Mustapha Bin Abd Hamid holds directorship positions in several other private limited companies which includes, amongst others, Safeguards Corporation Sdn Bhd and Saito College Sdn Bhd.

**Tan Thiam Chai**, aged 52, is the Non-Independent Non-Executive Director of BFood. He was appointed to the Board on 20 May 2010. He graduated with a Diploma in Commerce (Financial Accounting) from Kolej Tuanku Abdul Rahman in 1981 and also completed The Association of Chartered Certified Accountants (UK) professional course in 1981. He is a Fellow member of the Association of Chartered Certified Accountants (UK) since 1990 and also a member of the Malaysian Institute of Accountants. He started work with an accounting firm in Kuala Lumpur for about two (2) years and thereafter served in various Finance and Accounting positions with the Hong Leong Group of Companies in Malaysia as well as in Hong Kong for about eight (8) years. He joined the BCorporation group of companies in 1991 as a Finance Manager of an operating subsidiary and was promoted to Operation Manager later that year. In 1992, he was transferred to the Corporate Head Office of BGroup to head the Group Internal Audit function and subsequently in 1993, he was promoted to oversee the Group Accounting function of BGroup. Currently, he is the Chief Financial Officer of BCorporation. He is also an Executive Director of BLand and Berjaya Assets Berhad. He holds directorships in Magni-Tech Industries Berhad, Cosway Corporation Berhad, Indah Corporation Berhad as well as Taiga Building Products Limited (listed on the Toronto Stock Exchange, Canada) and Cosway Corporation Limited (listed on the Stock Exchange of Hong Kong Limited). He also holds directorships in several other private limited companies.

### 7.3.3 Other Principal Directorships for the Last Five (5) Years and Other Principal Business Activities Performed Outside the Group as at the LPD

The table below sets out the other principal directorship of the Directors of the Company as at the LPD and those held within the past five (5) years up to the LPD, and all other principal business activities performed by them outside the Group as at the LPD.

Name	Directorship	Involvement in business activities other than as a director
Dato' Robin Tan Yeong Ching	<u>Present directorships</u> <ul style="list-style-type: none"> <li>• AM Prestige Sdn Bhd <sup>(c)</sup></li> <li>• Ascot Sports Sdn Bhd <sup>(b)</sup></li> <li>• BCorporation <sup>(a)</sup></li> <li>• Berjaya Beau Vallon Bay (Cayman) Limited <sup>(c)</sup></li> <li>• Berjaya Golf Resort Berhad <sup>(c)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Chief Executive Officer of BCorporation</li> <li>• Chief Executive Officer of Berjaya Sports Toto Berhad</li> <li>• Chairman of MOL.com Berhad</li> </ul>

7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

Name	Directorship	Involvement in business activities other than as a director
Dato' Lee Kok Chuan	<ul style="list-style-type: none"> <li>• Berjaya Hotels &amp; Resorts (Cayman) Limited <sup>(c)</sup></li> <li>• Berjaya Media Berhad <sup>(a)</sup></li> <li>• Berjaya Praslin Beach (Cayman) Limited <sup>(c)</sup></li> <li>• Berjaya Sports Toto Berhad <sup>(a)</sup></li> <li>• Berjaya Times Square Sdn Bhd <sup>(d)</sup></li> <li>• Berjaya Vacation Club (Cayman) Limited <sup>(c)</sup></li> <li>• Berjaya Vacation Club (UK) Limited <sup>(c)</sup></li> <li>• Eco Palm Paper Sdn Bhd</li> <li>• eMedifile Sdn Bhd (formerly known as Analog Jaya Sdn Bhd) <sup>(b)</sup></li> <li>• Jelita Seleksi Sdn Bhd</li> <li>• Kaliber Stabil Sdn Bhd <sup>(b)</sup></li> <li>• KDE Recreation Berhad <sup>(c)</sup></li> <li>• Kemajuan Semangat Sdn Bhd <sup>(b)</sup></li> <li>• Klasik Mewah Sdn Bhd <sup>(c)</sup></li> <li>• Luxury Yacht Charter Sdn Bhd</li> <li>• MOL.com Berhad</li> <li>• RT Brothers Holdings Sdn Bhd <sup>(b)</sup></li> <li>• RYCT Holdings Sdn Bhd <sup>(b)</sup></li> <li>• Takrif Sempurna Sdn Bhd <sup>(b)</sup></li> <li>• Yeong Huei Sdn Bhd <sup>(b)</sup></li> </ul> <p><u>Previous directorships</u></p> <ul style="list-style-type: none"> <li>• Berjaya Merchandise Sdn Bhd <sup>(e)</sup> (resigned on 05.02.2008)</li> <li>• Berjaya Project Management Sdn Bhd <sup>(d)</sup> (resigned on 03.05.2010)</li> <li>• Berjaya TS Management Sdn Bhd <sup>(d)</sup> (resigned on 26.03.2010)</li> <li>• BLand (resigned on 26.10.2007)</li> <li>• BTS Department Store Sdn Bhd <sup>(d)</sup> (resigned on 04.09.2006)</li> <li>• Noble Circle (M) Sdn Bhd <sup>(c)</sup> (resigned on 15.02.2008)</li> <li>• Nostalgia Kiara Sdn Bhd (resigned on 18.08.2006)</li> <li>• Qinetics Solutions Berhad (resigned on 25.05.10)</li> <li>• Singapore Health Partners Pte Ltd (resigned on 26.07.2010)</li> <li>• TMC Life Sciences Berhad (resigned on 30.09.2010)</li> </ul> <p><u>Present directorships</u></p> <ul style="list-style-type: none"> <li>• Berjaya Books Sdn Bhd <sup>(e)</sup></li> <li>• Berjaya Brilliance Auto Sdn Bhd <sup>(e)</sup></li> <li>• Berjaya Capital Berhad <sup>(e)</sup></li> <li>• Berjaya Krispy Kreme Doughnuts Sdn Bhd <sup>(e)</sup></li> <li>• Berjaya Pizza Philippines Inc</li> <li>• Berjaya Pizza Company Sdn Bhd <sup>(e)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of Berjaya Media Berhad and Sun Media Corporation Sdn Bhd (a wholly-owned subsidiary of Berjaya Media Berhad)</li> <li>• Chairman of Eco Palm Paper Sdn Bhd</li> </ul>

**7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

Name	Directorship	Involvement in business activities other than as a director
	<ul style="list-style-type: none"> <li>• Berjaya Roasters Pte Ltd <sup>(e)</sup></li> <li>• Berjaya Roasters (UK) Limited <sup>(e)</sup></li> <li>• Berjaya Starbucks Coffee Company Sdn Bhd <sup>(e)</sup></li> <li>• Berjaya Vacation Club (UK) Limited<sup>(c)</sup></li> <li>• Bermaz Motor Sdn Bhd <sup>(e)</sup></li> <li>• Carlovers Carwash Limited <sup>(e)</sup></li> <li>• Carlovers International Limited <sup>(e)</sup></li> <li>• Changan Berjaya Auto Sdn Bhd <sup>(e)</sup></li> <li>• FSTR Australia Pty Ltd</li> <li>• INOKOM Corporation Sdn Bhd</li> <li>• KRR International Corp <sup>(e)</sup></li> <li>• MOL AccessPortal Berhad</li> <li>• Nusa Otomobil Corporation Sdn Bhd <sup>(e)</sup></li> <li>• Roadhouse Grill Asia Pacific (Cayman) Limited <sup>(e)</sup></li> <li>• Roadhouse Grill Asia Pacific (HK) Limited <sup>(e)</sup></li> <li>• Roasters Asia Pacific (Cayman) Limited <sup>(e)</sup></li> <li>• Roasters Asia Pacific (HK) Limited <sup>(e)</sup></li> <li>• Roasters Asia Pacific (M) Sdn Bhd <sup>(e)</sup></li> <li>• Silver Bird Group Berhad</li> <li>• Wen Berjaya Sdn Bhd <sup>(e)</sup></li> </ul> <p><u>Previous directorships</u></p> <ul style="list-style-type: none"> <li>• AM Prestige Sdn Bhd <sup>(c)</sup> (resigned on 08.08.2008)</li> <li>• Autopraha Sdn Bhd <sup>(e)</sup> (resigned on 04.02.2008)</li> <li>• BLoyalty Sdn Bhd (formerly known as Berjaya Loyalty Card Sdn Bhd) <sup>(e)</sup> (resigned on 01.04.2010)</li> <li>• Berjaya Merchandise Sdn Bhd <sup>(e)</sup> (resigned on 05.02.2008)</li> <li>• Bermaz Motor Trading Sdn Bhd <sup>(e)</sup> (resigned on 15.12.2008)</li> <li>• Dunia Prestasi Auto Sdn Bhd (formerly known as Quasar Carriage Sdn Bhd) <sup>(e)</sup> (resigned on 29.01.2010)</li> <li>• Graphic Press Group Sdn Bhd <sup>(e)</sup> (resigned on 01.10.2007)</li> <li>• Jelita Seleksi Sdn Bhd (resigned on 01.04.2008)</li> <li>• NusaBenz Sdn Bhd <sup>(e)</sup> (resigned on 18.05.2007)</li> <li>• Prima Merdu Sdn Bhd (resigned on 20.06.2008)</li> <li>• Singapore Health Partners Pte Ltd (resigned on 26.07.2010)</li> <li>• Successline Haulers Sdn Bhd <sup>(e)</sup> (resigned on 04.09.2006)</li> </ul>	

**7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

Name	Directorship	Involvement in business activities other than as a director
Datuk Zainun Aishah Binti Ahmad	<ul style="list-style-type: none"> <li>• Successline (M) Sdn Bhd <sup>(e)</sup> (resigned on 04.02.2008)</li> <li>• WOFS.com Sdn Bhd (resigned on 21.02.2006)</li> </ul> <p><u>Present directorships</u></p> <ul style="list-style-type: none"> <li>• Berjaya Media Berhad</li> <li>• Degem Berhad</li> <li>• Eco Oils Sdn Bhd</li> <li>• EcoOils Processors Sdn Bhd</li> <li>• Love on Wheels Healthcare Services Sdn Bhd</li> <li>• Microlink Solutions Berhad</li> <li>• Pernec Corporation Berhad</li> <li>• Shell Refining Company (Federation of Malaya) Berhad</li> <li>• Scomi Engineering Berhad</li> </ul> <p><u>Previous directorships</u></p> <ul style="list-style-type: none"> <li>• Aldwich Enviro Management Sdn Bhd (resigned on 31.07.2009)</li> <li>• Dunham-Bush (Malaysia) Bhd (resigned on 04.06.2007)</li> <li>• Dunham-Bush Industries Sdn Bhd (resigned on 04.06.2007)</li> <li>• F3 Strategies Berhad (resigned on 31.10.2006)</li> <li>• Informatics Education Ltd (resigned on 28.05.2010)</li> <li>• Malayan Banking Berhad (resigned on 22.07. 2009)</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of Pernec Corporation Berhad</li> <li>• Chairman of Scomi Engineering Berhad</li> </ul>
Dato' Mustapha Bin Abd Hamid	<p><u>Present directorships</u></p> <ul style="list-style-type: none"> <li>• Acmar FHP Group Berhad</li> <li>• Aneka Masyhur Sdn Bhd <sup>(b)</sup></li> <li>• Cyber Dis Sdn Bhd</li> <li>• Noble Construction Sdn Bhd <sup>(b)</sup></li> <li>• Safeguards Corporation Sdn Bhd</li> <li>• Saito College Sdn Bhd</li> <li>• Starline E-Media Sdn Bhd</li> <li>• Teo Guan Lee Corporation Berhad</li> </ul> <p><u>Previous directorships</u></p> <ul style="list-style-type: none"> <li>• Caturan Warna Sdn Bhd (resigned on 14.11.2008)</li> <li>• Gamitan Sdn Bhd (resigned on 19.10.2009)</li> <li>• Megah Security Services Sdn Bhd (resigned on 17.02.2006)</li> <li>• Mayang Utama Sdn Bhd (resigned on 14.01.2007)</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of Teo Guan Lee Corporation Berhad</li> </ul>

## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

Name	Directorship	Involvement in business activities other than as a director
Tan Thiam Chai	<p><u>Present directorships</u></p> <ul style="list-style-type: none"> <li>• Beijing Green Century Interior Decoration Co. Ltd <sup>(e)</sup></li> <li>• Berjaya Assets Berhad <sup>(a)</sup></li> <li>• BerjayaCity Sdn Bhd <sup>(e)</sup></li> <li>• Berjaya Corporation (S) Pte Ltd <sup>(e)</sup></li> <li>• Berjaya Engineering &amp; Construction (HK) Limited <sup>(e)</sup></li> <li>• Berjaya Group Capital (Cayman) Limited <sup>(e)</sup></li> <li>• Berjaya Group Equity (Cayman) Limited <sup>(e)</sup></li> <li>• Berjaya Group Portfolio (Cayman) Limited <sup>(e)</sup></li> <li>• Berjaya Investment (Cayman) Limited <sup>(e)</sup></li> <li>• Berjaya Joy Long Auto Sdn Bhd <sup>(e)</sup></li> <li>• Berjaya Lottery Management (HK) Limited <sup>(f)</sup></li> <li>• Berjaya Lottery Vietnam Limited <sup>(e)</sup></li> <li>• Berjaya Manufacturing (HK) Limited <sup>(e)</sup></li> <li>• Berjaya Sanhe Real Estate Development Co. Ltd <sup>(e)</sup></li> <li>• Berjaya Sports Toto (Cayman) Limited <sup>(f)</sup></li> <li>• Berjaya Trading (UK) Limited <sup>(e)</sup></li> <li>• BLand <sup>(a)</sup></li> <li>• Bina Puncak Jaya Sdn Bhd</li> <li>• Cosway Corporation Berhad <sup>(e)</sup></li> <li>• Cosway Corporation Limited</li> <li>• E.V.A Management Sdn Bhd <sup>(e)</sup></li> <li>• Ezyhealth (Malaysia) Sdn Bhd</li> <li>• Finewood Forest Products Sdn Bhd <sup>(a)</sup></li> <li>• Healthcare Holdings (Cayman) Limited <sup>(e)</sup></li> <li>• Inter-Pacific Management Sdn Bhd <sup>(e)</sup></li> <li>• Magni-Tech Industries Berhad</li> <li>• PMCC-Berjaya Special Steel Sdn Bhd</li> <li>• Resort Cruises (S) Pte Ltd</li> <li>• SIG Holdings (Cayman) Limited <sup>(e)</sup></li> <li>• South Pacific Textile Industries (Singapore) Pte. Ltd <sup>(e)</sup></li> <li>• Taiga Building Products Limited</li> </ul> <p><u>Previous directorships</u></p> <ul style="list-style-type: none"> <li>• Ambilan Imej Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Berjaya 2<sup>nd</sup> Homes (MM2H) Sdn Bhd <sup>(e)</sup> (resigned on 10.10.2006)</li> <li>• Berjaya Capital Berhad (resigned on 21.10.2010) <sup>(e)</sup></li> <li>• Berjaya Cycles Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Financial Officer of BCorporation</li> <li>• Executive Director of Berjaya Assets Berhad and BLand</li> </ul>

**7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

Name	Directorship	Involvement in business activities other than as a director
	<ul style="list-style-type: none"> <li>• Berjaya Education Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Berjaya Higher Education Sdn Bhd <sup>(e)</sup> (resigned on 04.10.2006)</li> <li>• Berjaya International Schools Sdn Bhd <sup>(e)</sup> (resigned on 06.10.2006)</li> <li>• Berjaya Krispy Kreme Doughnuts Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• BLoyalty Sdn Bhd (formerly known as Berjaya Loyalty Card Sdn Bhd) <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Berjaya Pricecostco (Malaysia) Sdn Bhd <sup>(b)</sup> (resigned on 17.04.2008)</li> <li>• Berjaya Wood Furniture (Malaysia) Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Biofield Sdn Bhd (resigned on 17.04.2008)</li> <li>• Bizurai Bijak (M) Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Bukit Pinang Rel Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Cahaya Nominees (Tempatan) Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• FEAB Equities Sdn Bhd <sup>(f)</sup> (resigned on 17.04.2008)</li> <li>• FEAB Realty Sdn Bhd <sup>(f)</sup> (resigned on 17.04.2008)</li> <li>• First Ever Marketing Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Flywheel Rubber Works Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Garima Holdings Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Greatcare Dot Com Sdn Bhd (resigned on 17.04.2008)</li> <li>• Greatcare System Sdn Bhd (resigned on 17.03.2006)</li> <li>• J.L. Morison Son &amp; Jones (Malaya) Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Juara Sejati Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• KDE Resort Development Sdn Bhd (resigned on 17.04.2008)</li> <li>• Inter-Pacific Capital Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Inter-Pacific Integrated Sdn Bhd (resigned on 17.04.2008)</li> <li>• Inter-Pacific Paper (M) Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Inter-Pacific Research Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Inter-Pacific Trading Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> </ul>	

**7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

Name	Directorship	Involvement in business activities other than as a director
	<ul style="list-style-type: none"> <li>• Magna Mahsuri Sdn Bhd <sup>(f)</sup> (resigned on 17.04.2008)</li> <li>• Noble Creation Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Noble Karaoke Equipment Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Novacomm Integrated Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Rangkaian Sejahtera Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Rantau Embun Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Rapid Computer Centre (SEA) Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Securexpress Services Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Stephens Properties Plantations Sdn Bhd <sup>(c)</sup> (resigned on 21.03.2007)</li> <li>• STM Resort Sdn Bhd <sup>(f)</sup> (resigned on 17.04.2008)</li> <li>• Successline (M) Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Tegas Kinta Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• Teong Ma Textiles Company Sdn Bhd <sup>(b)</sup> (resigned on 11.01.2011)</li> <li>• Teras Mewah Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• The Tropical Veneer Company Berhad <sup>(e)</sup> (resigned on 17.04.2008)</li> <li>• VRS (Malaysia) Sdn Bhd <sup>(e)</sup> (resigned on 17.04.2008)</li> </ul>	

**Notes:-**

- (a) *Includes directorship(s) in certain subsidiary/(ies) of this company*
- (b) *Has interest in 5% or more of the issued and paid-up share capital of this company*
- (c) *Under BLand Group (excluding listed subsidiaries, where applicable)*
- (d) *Under Berjaya Assets Berhad Group*
- (e) *Under BCorporation Group (excluding listed subsidiaries, where applicable)*
- (f) *Under Berjaya Sports Toto Berhad Group*



## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 7.3.4 Directors' Remuneration and Benefits

There are no remuneration and benefits paid to the Directors for services rendered to the Group in all capacities for the FYE 2010. As at the LPD, save as disclosed below, there are no other amounts or benefits proposed to be paid to the Directors for services rendered to the Group in all capacities for the financial year ending 30 April 2011:-

Name	Amount (RM)
Datuk Zainun Aishah Binti Ahmad	Not exceeding RM50,000
Dato' Mustapha Bin Abd Hamid	Not exceeding RM50,000

### 7.3.5 Audit Committee

As at the date of this Prospectus, the Audit Committee comprises the following members:-

Name	Designation	Directorship
Datuk Zainun Aishah Binti Ahmad	Chairman	Independent Non-Executive Director
Dato' Mustapha Bin Abd Hamid	Member	Independent Non-Executive Director
Tan Thiam Chai	Member	Non-Independent Non-Executive Director

The primary functions of the Audit Committee include inter alia, the review of audit plans and audit reports with the Company's external auditors, review of the auditors' evaluation of internal accounting controls and management information systems; review of the scope of internal audit procedures, review of the financial statements, and nomination of the auditors.

### 7.3.6 Remuneration Committee

As at the date of this Prospectus, the Remuneration Committee comprises the following members:-

Name	Designation	Directorship
Datuk Zainun Aishah Binti Ahmad	Chairman	Independent Non-Executive Director
Dato' Mustapha Bin Abd Hamid	Member	Independent Non-Executive Director
Dato' Robin Tan Yeong Ching	Member	Executive Chairman

The primary function of the Remuneration Committee is to set up the policy framework and to recommend to the Board on remuneration packages and other terms of employment of the Executive Directors. The determination of the remuneration for the Non-Executive Directors will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual remuneration package.

## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 7.3.7 Nomination Committee

As at the date of this Prospectus, the Nomination Committee comprises the following members:-

Name	Designation	Directorship
Datuk Zainun Aishah Binti Ahmad	Chairman	Independent Non-Executive Director
Dato' Mustapha Bin Abd Hamid	Member	Independent Non-Executive Director
Tan Thiam Chai	Member	Non-Independent Non-Executive Director

The Nomination Committee is primarily empowered by its terms of reference to perform amongst others, to recommend to the Board, new candidates as Board members or Board committee members. The Board as a whole makes all decision on appointments after considering the recommendation of the Nomination Committee.

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## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 7.3.8 Directors' Shareholdings

Based on BFood's Register of Directors' Shareholdings as at the LPD, the direct and indirect shareholdings of the BFood's Directors in the issued and paid-up share capital of the Company are as follows:-

Directors	As at the LPD				After the Offer For Sale <sup>(a)</sup>				Upon full exercise of ESOS Options <sup>(b)</sup>			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Robin Tan Yeong Ching	-	-	-	-	100,000	0.07	-	-	1,100,000	0.74	-	-
Dato' Lee Kok Chuan	-	-	-	-	100,000	0.07	-	-	1,050,000	0.71	-	-
Datuk Zainun Aishah Binti Ahmad	-	-	-	-	100,000	0.07	-	-	200,000	0.13	-	-
Dato' Mustapha Bin Abd Hamid	-	-	-	-	100,000	0.07	-	-	200,000	0.13	-	-
Tan Thiam Chai	-	-	-	-	100,000	0.07	-	-	200,000	0.13	-	-

#### Notes:-

- (a) Assumes that the eligible Director will subscribe in full for his/her entitlements under the Pink Form Shares Allocation
- (b) Computed based on the maximum allowable allocation for all categories of Directors and employees of the BFood Group. The actual number of ESOS Options to be allocated to the respective Directors of the BFood Group will be determined in accordance with the Bylaws

## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 7.4 KEY MANAGEMENT

#### 7.4.1 Key Management

The key management of BFood Group as at the date of this Prospectus is set forth below:-

Name	Age	Designation/Function
Lee Siew Weng	47	Senior General Manager
Lee Siew Fei	46	General Manager
Lim Shii Chair	43	Deputy General Manager
Foo Yuet Sim	41	Senior Finance & Administration Manager
Woo Sow Yee	36	Senior Brand Manager
Robert Hing Chee Cheow	50	Project Manager

#### 7.4.2 Profiles of Key Management

The profiles of the key management of the Group are as follows:-

**Lee Siew Weng**, aged 47, is currently the Senior General Manager of BRoasters. He was nominated Dean's List in Hamburger University, in 1988 and graduated thereon in 1989. Currently, he is responsible for the management, strategies and business direction of BRoasters. He started his career with Golden Arches Restaurant Sdn Bhd in 1982 and was promoted to Restaurant Manager before joining BRoasters in 1994 till 1998. He was then seconded to Berjaya Coffee Company Sdn Bhd (now known as Berjaya Starbucks Coffee Company Sdn Bhd) in 1998 as the Senior Operation Manager and returned to BRoasters in 2003 as the Deputy General Manager.

**Lee Siew Fei**, aged 46, was appointed as General Manager of BRoasters on 1 January 2011. She graduated with a Diploma in Computer Studies in 1995 from Informatics College Malaysia and a Diploma in Management in 2001 from the Malaysian Institute of Management. She started her career with Golden Arches Restaurant Sdn Bhd in 1986 and subsequently joined BRoasters in 1994. She is responsible for the overall procurement division and oversees the day-to-day restaurant operations in BRoasters including the food quality control and food development division.

**Lim Shii Chair**, aged 43, is the Deputy General Manager of BRoasters and oversees the facilities department which performs routine maintenance and repair works in all the restaurants. He completed his secondary school education and started his career with Golden Arches Restaurant Sdn Bhd in 1985. He joined BRoasters in 1994 as a Restaurant Manager before being seconded to RAPM as a Regional Training Manager in 2003. He subsequently returned to BRoasters in 2006 as the Operations Manager.

**7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

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**Foo Yuet Sim**, aged 41, is the Senior Finance & Administration Manager of BRoasters and is responsible for the financial management and overall financial operations of BRoasters. She graduated with a professional degree from The Association of International Accountants in United Kingdom in 1999 and is a Fellow Member of the Association of International Accountants, United Kingdom. She has over 17 years of working experience in the fields of accounting and finance within the service industry including The Oriental of Singapore (Singapore) from 1989 to 1990 and Air France (French Government Airline) from 1992 to 1995. She joined RAPM in 1995 and was responsible for the financial management and consolidation of the group accounts as well as providing training to overseas franchisees pertaining to the accounting matters. She subsequently joined BRoasters in 2000 and is responsible for the current portfolio since then.

**Woo Sow Yee**, aged 36, graduated with a Bachelor of Communications (Hons) in 1998 majoring in Journalism and Business Management from University Science of Malaysia (more commonly known as "USM"), Penang. She is BRoasters' Senior Brand Manager and started her career with the company in June 2005. She currently heads the marketing team and oversees the sales & event division such as the KRR Community Chest and the company's Corporate Social Responsibility activities. Prior to her joining BRoasters, she served in TIME dotcom Berhad, one of the leading telecommunication companies in Malaysia for more than five (5) years and was the head of marketing in AsiaOnAir (M) Sdn Bhd, an online portal company for approximately two (2) years.

**Robert Hing Chee Cheow**, aged 50, is the Project Manager of BRoasters and oversees the opening, relocation, refurbishment of new and existing restaurants as well as the interior design division. He graduated with a Diploma in Architecture from the Federal Institute of Technology in 1980 and has more than 24 years of vast experience in construction related works such as overseeing the construction of the Lawn Bowl and Indoor Netball Stadium for the Commonwealth Games in 1998. He joined BLand in 1995. He was seconded to Berjaya Coffee Company Sdn Bhd (now known as Berjaya Starbucks Coffee Company Sdn Bhd) in 1998 and successfully opened 52 Starbucks outlets within a five (5)-year period. He has a brief stint in Berjaya Books (M) Sdn Bhd in 2003 before joining BRoasters in 2006 and oversees the opening of new KRR restaurants in Malaysia since then.

## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 7.4.3 Other Principal Business Activities Performed Outside the Group at Present

Save as set out below, the key management personnel of the Group are not involved in other principal business activities as at the LPD.

Name	Directorship	Involvement in business activities other than as a director
Lee Siew Weng	Berjaya Premier Restaurants Sdn Bhd <sup>(a)</sup>	-
	Berjaya Roadhouse Grill Sdn Bhd <sup>(a)</sup>	
	Berjaya Roasters Pte Ltd <sup>(a)</sup>	
	Roadhouse Grill Asia Pacific (Cayman) Limited <sup>(a)</sup>	
	Roadhouse Grill Asia Pacific (HK) Limited <sup>(a)</sup>	
	Roadhouse Grill Asia Pacific (M) Sdn Bhd <sup>(a)</sup>	
	Roasters Asia Pacific (M) Sdn Bhd <sup>(a)</sup>	
Roasters Asia Pacific (HK) Limited <sup>(a)</sup>		

**Note:-**

(a) Under BCorporation Group

### 7.4.4 Involvement of Directors and Key Management in Other Principal Business Activities

Save as disclosed in Section 7.3.3 and Section 7.4.3 of this Prospectus, as at the LPD, none of the Directors and/or key management are actively involved in other principal business activities outside of BFood. The Directors and/or key management of BFood Group believe that their involvement in other principal activities outside of BFood will not affect their respective contribution to the BFood Group.

**7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT****7.4.5 Shareholdings of Key Management in the Company**

Based on BFood's Register of Members as at the LPD, the direct and indirect shareholdings of each member of the key management (assuming full subscription of the Offer Shares reserved for them) in the issued and paid-up share capital of the Company are as follows:-

Key management	As at the LPD		After the Offer For Sale <sup>(a)</sup>		Upon full exercise of ESOS Options <sup>(b)</sup>	
	Direct No. of Shares	Indirect No. of Shares %	Direct No. of Shares %	Indirect No. of Shares %	Direct No. of Shares %	Indirect No. of Shares %
Lee Siew Weng	-	-	90,000 0.06	-	940,000 0.63	-
Lee Siew Fei	-	-	70,000 0.05	-	620,000 0.42	-
Lim Shii Chair	-	-	60,000 0.04	-	560,000 0.38	-
Foo Yuet Sim	-	-	50,000 0.04	-	250,000 0.17	-
Woo Sow Yee	-	-	50,000 0.04	-	250,000 0.17	-
Robert Hing Chee Cheow	-	-	40,000 0.03	-	190,000 0.13	-

**Notes:-**

- (a) Assumes that the eligible key management personnel will subscribe in full for their entitlements under the Pink Form Shares Allocation
- (b) Computed based on the maximum allowable allocation for all categories of Directors and employees of the BFood Group. The actual number of ESOS Options to be allocated to the respective employees of the BFood Group will be determined in accordance with the Bylaws

## **7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

### **7.5 DECLARATIONS BY THE PROMOTER, DIRECTORS AND KEY MANAGEMENT PERSONNEL**

As at the date of this Prospectus, none of the Promoter, Directors and/or key management personnel of the Company is or has been involved in any of the following events (whether in or outside Malaysia):-

- (a) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (b) Such person was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) Such person was charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) Any judgement was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (e) Such person was the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

### **7.6 RELATIONSHIPS AND ASSOCIATION BETWEEN THE SUBSTANTIAL SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT PERSONNEL**

Dato' Robin Tan Yeong Ching, a Director of BFood, is also a Director/Chief Executive Officer of BCorporation, the ultimate holding company of BFood. Dato' Robin Tan Yeong Ching is also a son of TSVT, an indirect substantial shareholder of BFood.

Save as disclosed above and the relationships and associations between the Company's substantial shareholders, Promoter, Directors and key management personnel as described in Section 7.1, Section 7.3.3 and Section 7.4.3 of this Prospectus, there is no family relationship or association between any of the substantial shareholders, Promoter, Directors and key management personnel of BFood.

### **7.7 PROMOTER, DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS' BENEFIT**

Save for Shares issued by BFood to BGroup credited as fully paid-up as purchase consideration pursuant to the SPA, there have been no amount and/or benefit that have been or intended to be paid or given to the Promoter, Directors and/or substantial shareholders of the Group within two (2) years preceding the date of this Prospectus.

### **7.8 SERVICE AGREEMENT**

As at the LPD, none of the Directors and key management personnel of the Group has any existing or proposed service agreement with the BFood Group.



## 7. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 7.9 EMPLOYEES

#### 7.9.1 Employment Structure

As at the LPD, the Group employs a total of 1,373 employees, all of whom are based in Malaysia. Contractual employees, whose tenure of employment are on a yearly basis, constitute three (3) employees representing 0.22% of the total employees in the Group whilst part-time employees constitute 881 employees representing 64.17% of the total employees in the Group.

The employment structure of the Group for the three (3) FYE 2008 to FYE 2010 and as at the LPD are as follows:-

Category	No. of employees			
	FYE 2008	FYE 2009	FYE 2010	As at the LPD
Managerial and Professional	151	172	205	209
Technical and Supervisory	13	15	76	80
Clerical and Related Occupation	7	7	4	4
General Workers	577	852	817	1,080
<b>Total</b>	<b>748</b>	<b>1,046</b>	<b>1,102</b>	<b>1,373</b>

The number of employees as at the LPD has increased significantly since FYE 2008 which is a reflection in the growth of the Group's operations. The number of restaurants in the Group increased from 31 outlets as at FYE 2008 to 51 outlets as at the LPD. The number of employees is expected to increase further with the planned opening of several new restaurants as disclosed in Section 6.11.1 of this Prospectus.

As at the LPD, none of the Group's employees are members of any trade union.

For information, there have been no industrial disputes involving the Group.

#### 7.9.2 Training and Development Programmes

The Group has well structured training and development programmes for its employees. All new employees are required to undergo various training programmes which include amongst others, in-house training and workshops, and on-the-job training to enable them to fully appreciate and understand the business concept/modeling of the Group's restaurants. These trainings and workshops provide a platform for the new employees to integrate with the existing team to ensure good quality of food and services to meet the demand of customers.

The extent and duration of the training and development programmes will depend on the position of the employee. For example, it takes about two (2) to three (3) weeks to train a Food & Beverage Assistant and about three (3) weeks for a Restaurant Manager. The in-house training and development programmes cover areas such as food preparation and handling, operating of equipments and appliances and customer servicing.

## 8. APPROVALS AND CONDITIONS

### 8.1 APPROVALS REQUIRED

The Listing Scheme is subject to the following being obtained:-

- (a) The approval of the SC, pursuant to Section 212(5) of the CMSA and the equity requirements for public companies, which was obtained vide its letter dated 21 December 2010;
- (b) The approval of the MITI which was obtained vide its letter dated 30 August 2010;
- (c) The approval-in-principle of Bursa Securities for admission to the Official List and listing of and quotation for the issued and fully paid-up share capital of BFood and the new BFood Shares to be issued pursuant to the ESOS on the Main Market of Bursa Securities, which was obtained vide its letter dated 24 January 2011;
- (d) The approval of the shareholders of BCorporation at an extraordinary general meeting which was convened and obtained on 29 October 2010; and
- (e) The approval/consent of any other relevant authority or party, if required.

### 8.2 CONDITIONS ON APPROVALS

The following authorities have approved the Listing Scheme subject to the following conditions:-

Authority	Conditions imposed	Status of compliance
SC	<ul style="list-style-type: none"> <li>• BFood or the MITI allocating the 14,134,800 offer for sale shares to Bumiputera public investors approved by MITI and any unsubscribed shares therein shall be offered to the retail Bumiputera public investors together with the 3,533,700 allocated offer for sale shares via public balloting.</li> </ul>	Noted and to be complied
	<ul style="list-style-type: none"> <li>• AmInvestment/BFood to fully comply with the requirements of the Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the Listing Scheme</li> </ul>	Noted and to be complied
	<ul style="list-style-type: none"> <li>• AmInvestment/BFood to inform the SC upon the completion of the Listing Scheme</li> </ul>	Noted and to be complied
MITI	<ul style="list-style-type: none"> <li>• To obtain the SC's approval</li> </ul>	Complied. The SC had approved the Listing Scheme on 21 December 2010.
	<ul style="list-style-type: none"> <li>• BFood to inform MITI upon completion of the Proposed Listing</li> </ul>	Noted and to be complied
Bursa Securities	<ul style="list-style-type: none"> <li>• Furnish Bursa Securities a specimen copy of each denomination of certificates of the class to be listed</li> </ul>	Complied
	<ul style="list-style-type: none"> <li>• Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of the Listing Requirements</li> </ul>	Noted and to be complied

**8. APPROVALS AND CONDITIONS**

Authority	Conditions imposed	Status of compliance
	<ul style="list-style-type: none"> <li>Furnish Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire enlarged issued and paid-up share capital of BFood on the first day of Listing</li> </ul> <p>In relation to the approval of the listing of up to five percent (5%) of the enlarged issued and paid-up share capital of BFood to be issued pursuant to the ESOS, it is subject to the following conditions:-</p>	Noted and to be complied
	<ul style="list-style-type: none"> <li>AmlInvestment Bank is required to submit a confirmation to Bursa Securities of full compliance of the ESOS pursuant to paragraph 6.43(1) of the Listing Requirements stating the effective date of implementation</li> </ul>	Noted and to be complied. The Company will effect the ESOS upon Listing
	<ul style="list-style-type: none"> <li>Payment of additional listing fees. In this respect, BFood is required to furnish Bursa Securities on a quarterly basis a summary of the total number of ESOS Shares listed as at the end of each quarter together with a detail computation of the listing fees payable</li> </ul>	Noted and to be complied
	<ul style="list-style-type: none"> <li>BFood is to ensure full compliance of all the requirements pertaining to the ESOS as provided under the Listing Requirements at all times</li> </ul>	Noted and to be complied

The SC noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in BFood would change arising from the implementation of the Listing as follows:-

	Before Listing Scheme		Upon Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera				
- Public shareholders to be nominated by MITI	-	-	14,134,800 <sup>(a)</sup>	10.0
- Bumiputera public via balloting	-	-	3,533,700 <sup>(b)</sup>	2.5
Non-Bumiputera	4	100.0	123,679,500	87.5
Foreign	-	-	-	-
<b>Total</b>	<b>4</b>	<b>100.0</b>	<b>141,348,000</b>	<b>100.0</b>

**Notes:-**

(a) Assuming all the 14,134,800 Offer Shares reserved for Bumiputera investors to be approved by MITI will be fully subscribed by Bumiputera investors

(b) Assuming all the 3,533,700 Offer Shares made available for application by the Bumiputera Malaysian public via balloting will be fully subscribed by Bumiputera investors

**8. APPROVALS AND CONDITIONS****8.3 EXEMPTION FROM COMPLIANCE WITH THE SC'S PROSPECTUS GUIDELINES**

The SC had vide its letter dated 21 December 2010 also approved BFood's application for exemption from compliance with the following paragraphs of the SC's Prospectus Guidelines:-

Paragraph under the Prospectus Guidelines	Document concerned
(a) 8.02(m) and 18.01(c) <ul style="list-style-type: none"> <li>• Salient terms of any contract/ arrangement/ document/ other matter on which the corporation is highly dependent. This includes patents or licences, industrial, commercial or financial contracts or new manufacturing processes, where such factors are material to the corporation's business or profitability</li> <li>• Each material contract or document referred to in the Prospectus and, in the case of contracts in writing, a memorandum which gives full particulars of the contracts</li> </ul>	The MDA as disclosed in, amongst others, Section 5.13 of this Prospectus
(b) 16.07 and 18.01(c) <ul style="list-style-type: none"> <li>• Full disclosure of the material contracts, not being contracts in the ordinary course of business, entered into within two years preceding the date of this Prospectus</li> <li>• Each material contract or document referred to in the Prospectus and, in the case of contracts in writing, a memorandum which gives full particulars of the contracts</li> </ul>	The purchase consideration in relation to the sale and purchase agreements referred to in Section 15.4(a) and (b) of this Prospectus
(c) 13.10 <p>The audit report to be attached along with the respective audited financial statements.</p>	The audit reports of the relevant audited financial statements of BFood Group in the Accountants' Report as set out in Section 11 of this Prospectus

**8.4 MORATORIUM ON SALE OF SHARES**

In accordance with the Equity Guidelines issued by the SC, the Promoter will not be allowed to sell, transfer or assign their entire shareholdings in the Company for six (6) months from the date of Listing. Upon completion of the Offer For Sale, the entire shareholdings held by the Promoter comprising 105,511,000 Shares representing approximately 74.65% of the issued and paid-up share capital of BFood will be subject to the moratorium.

BCorporation, the holding company of the Promoter, has furnished a letter of undertaking to the SC that it will not sell, transfer or assign its shareholdings in BGroup as at the date of Listing, for six (6) months from the date of Listing.

The moratorium is specifically endorsed on the share certificates representing the shareholdings of the Promoter to ensure that the Registrars do not register any transfer not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on the Company's Registrars' instruction in the prescribed forms, ensure that trading of these Shares is not permitted during the moratorium period.

## 9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

### 9.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

Save as disclosed below, for the past three (3) years from FYE 2008 to FYE 2010 and the four (4)-month FPE 31 August 2010, the Group does not have any other existing and/or proposed material related party transactions or other subsisting material contracts or arrangement entered into by the Group that involved the interest, direct or indirect, of the Group's Directors, major shareholders, and/or persons connected with them as defined under the Listing Requirements.

Related party	Details	Value or consideration for the			
		FYE 2008	FYE 2009	FYE 2010	4-month FPE 31.08.10
<u>Existing</u>					
1. Cempaka Properties Sdn Bhd (100% subsidiary of Bland) <sup>(a)</sup>	Rental of shoplot by BRoasters at Lot G-83 and concourse area at Lot CCS-B-Bay 5A, Ground Floor, Berjaya Megamall, Kuantan	RM9,718 per month	RM9,718 per month	RM9,718 per month	RM9,718 per month
2. Nural Enterprise Sdn Bhd (100% subsidiary of Bland) <sup>(a)</sup>	Rental of office by BRoasters at Lot 1.05 and shoplot at Lot 1.10, 1 <sup>st</sup> Floor, Podium Block, Plaza Berjaya, Jalan Imbi, Kuala Lumpur	RM12,257.75 per month	Shifted to Berjaya Times Square in Dec'08	-	-
3. Berjaya Times Square Sdn Bhd (100% subsidiary of Berjaya Assets Berhad) <sup>(b)</sup>	Rental of shoplot by BRoasters at Lot 03-98, Berjaya Times Square, No.1 Jalan Imbi, 55100 Kuala Lumpur	RM27,887 per month	RM27,887 per month	RM35,136 per month	RM35,136 per month
4. Sun Media Corporation Sdn Bhd (100% subsidiary of Berjaya Media Berhad) <sup>(c)</sup>	Rental of office by BRoasters at Lots 09-06 to 09-13, 9 <sup>th</sup> Floor, Berjaya Times Square, No.1 Jalan Imbi, 55100 Kuala Lumpur	-	RM17,928 per month	RM17,928 per month	RM17,928 per month
5. RAPM (100% subsidiary of BGroup) <sup>(d)</sup>	Advertising fee in <i>theSun</i> newspaper	RM340,000 per annum	RM300,000 per annum	RM338,493 per annum	RM292,793 up to Aug' 10
	Payment of royalty fee	RM275,620 per annum	RM337,321 per annum	RM392,695 per annum	RM215,249 up to Aug' 10
	Income received pursuant to the right awarded by BRoasters to RAPM to grant franchises to the Independent Franchisees	RM496,318 per annum	RM727,085 per annum	RM709,690 per annum	RM225,255 up to Aug' 10

**9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS**

**Notes:-**

- (a) As at the LPD, BGroup is deemed interested by virtue of its 56.66% interest in BLand and a 62.73%-owned company of TSVT
- (b) As at the LPD, BGroup is deemed interested by virtue of its 21.35% interest in Berjaya Assets Berhad and a 71.71%-owned company of TSVT
- (c) As at the LPD, BGroup is deemed interested by virtue of its 17.32% interest in Berjaya Media Berhad and a 70.17%-owned company of TSVT
- (d) Pursuant to the Offer For Sale, BGroup will be deemed interested by virtue of its reduced interest of 74.65% interest in BRoasters
- (e) Save for item no. 5 above, the above does not include past and present transactions between BGroup and/or its subsidiaries and BFood Group, as BFood Group is a wholly-owned subsidiary of BGroup as at the date of this Prospectus

The Company confirms that all the above transactions are conducted in the ordinary course of business, carried out on an arm's length basis and are on normal commercial terms which are not more favourable to the related parties than those generally available to other parties.

Upon Listing, the Audit Committee of BFood will supervise the terms of related party transactions of the Group, and the Directors will report related party transactions, if any, annually in the Company's annual report. In the event there are any proposed related party transactions that involve the interest, direct or indirect, of the Directors, the interested Director(s) shall disclose his/their interest to the board of directors of BFood or the subsidiary, as the case may be, the details of the nature and extent of his/their interest, including all matters in relation to the proposed related party transactions that he/they are aware or should reasonably be aware of, which is not in the best interests of BFood or the subsidiary, as the case may be. The interested Director(s) shall also abstain from any board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transactions.

In the event there are any proposed related party transactions that require the prior approval of shareholders, the Directors, major shareholders and/or persons connected with a Director or major shareholder, who have any interest, direct and/or indirect, in the proposed related party transaction will accordingly abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct and/or indirect, in any proposed related party transaction, the Director or major shareholder concerned will also abstain from voting in respect of their direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that they shall ensure that persons connected with them will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

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**9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS**

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**9.2 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a shareholders' mandate in respect of related party transactions involving recurrent transactions of a revenue or trading nature, which are necessary for its day-to-day operations such as supplies of materials, subject to, inter alia, the following:-

- (a) The transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) The shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under Paragraph 2.1 of Practice Note No. 12/2001 of the Listing Requirements; and
- (c) In a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him shall abstain from voting on the resolution approving the transactions.

The Group would in the ordinary course of business enter into transactions, including but not limited to the transactions described in Section 9.1 of this Prospectus, with persons which are/will be considered "related party" as defined in Chapter 10 of the Listing Requirements. It is likely that such transactions will occur with some degree of frequency and could arise from time to time.

Due to the time-sensitive nature of commercial transactions, the shareholders' mandate will enable the Group, in its ordinary course of business, to enter into the categories of related party transactions, provided such interested person transactions are made at arm's length and on normal commercial terms.

Transactions that do not fall within the ambit of the shareholders' mandate shall be subject to the relevant provisions of the Listing Requirements.

Bursa Securities had on 10 February 2011 approve an extension of time to obtain a waiver to allow BFood to ratify any recurrent related party transactions entered/to be entered into by the Group with the Group's Directors or substantial shareholders or persons connected with such Directors or substantial shareholders at the Group's next annual general meeting or extraordinary general meeting, whichever will be held earlier. The said transactions shall be of a revenue or trading nature to be entered between the Group and the Group's Directors or substantial shareholders or persons connected with such Directors or substantial shareholders, commencing from the Listing date up to the annual general meeting or extraordinary general meeting.

**9.3 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION**

The Board has confirmed that to the best of their knowledge and belief, there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which the Group is a party in respect of the past three (3) years from FYE 2008 to FYE 2010 and the four (4)-month FPE 31 August 2010, and up to the LPD.

**9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS****9.4 OUTSTANDING LOANS**

Save as disclosed below, there are no other outstanding loans (including guarantee of any kind) made by the Group (based on the assumption that the current structure of BFood Group existed since the FYE 2008) to or for the benefit of any related parties during the past three (3) years from FYE 2008 to FYE 2010 and the four (4)-month FPE 31 August 2010, and up to the LPD:-

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000	4-month FPE 31.08.10 RM'000
Amount due from BGroup and its other subsidiaries	6,476 <sup>(a)</sup>	7,096 <sup>(a)</sup>	6,733 <sup>(b)</sup>	6,844 <sup>(d)</sup>
Amount due to BGroup and its other subsidiaries	174 <sup>(c)</sup>	20 <sup>(c)</sup>	225 <sup>(c)</sup>	345 <sup>(c)</sup>

**Notes:-**

- (a) Represents amount which are unsecured, interest free and have no fixed terms of repayment
- (b) Of the RM6.733 million due from BGroup and its other subsidiaries, RM6.646 million attracts interest which is payable at the rate of 7.8% per annum. The remaining amount are unsecured, interest free and have no fixed terms of repayment
- (c) Represents amount which are unsecured, interest free and are repayable on demand
- (d) Of the RM6.844 million due from BGroup and its other subsidiaries, RM6.824 million attracts interest which is payable at the rate of 7.8% per annum. The remaining amount is unsecured, interest free and have no fixed terms of repayment

Nevertheless, all amounts due from BGroup and its other subsidiaries which are not trade in nature had been fully settled prior to the issuance of this Prospectus.

As at the LPD, the Group does not have any trade debts due to/from BGroup and its other subsidiaries which has exceeded the normal credit period granted.

Save as disclosed above and excluding normal trade transactions, there are no other outstanding loans (including guarantee of any kind) made by the Group to or for the benefit of any related parties during the past three (3) years from FYE 2008 to FYE 2010 and the four (4)-month FPE 31 August 2010, and up to the LPD.



## 9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

### 9.5 INTERESTS IN SIMILAR BUSINESSES

Save as disclosed below, as at the LPD, to the best of knowledge and belief of the Board, none of the other Directors and/or substantial shareholders of BFood are interested, directly or indirectly, in any other businesses and/or corporations carrying on a similar trade as the Group:-

Name of company	Nature of business	Affected person(s)	Position (Shareholder/ Director)	No. of shares				Notes
				Direct		Indirect		
				'000	%	'000	%	
Berjaya Starbucks Coffee Company Sdn Bhd ("BSCC")	Development and operation of the "Starbucks Coffee" chain of café and retail stores	BGroup	Shareholder	11,500	50	-	-	(a)
		Dato' Robin Tan Yeong Ching	Company Director	-	-	-	-	
		Dato' Lee Kok Chuan	Company Director	-	-	-	-	
Berjaya Krispy Kreme Doughnuts Sdn Bhd ("BKKD")	Development and operation of the "Krispy Kreme Doughnuts"	BGroup	Shareholder	-	-	1,190	70	(b)
		Dato' Robin Tan Yeong Ching	Company Director	-	-	-	-	
		Dato' Lee Kok Chuan	Company Director	-	-	-	-	
Berjaya Pizza Company Sdn Bhd ("BPC")	Development and operation of the "Papa John's Pizza" chain of restaurants	BGroup	Shareholder	10,000	100	-	-	(c)
		Dato' Robin Tan Yeong Ching	Company Director	-	-	-	-	
		Dato' Lee Kok Chuan	Company Director	-	-	-	-	
Budi Impian Sdn Bhd ("BI")	Operator of a restaurant known as "Asahi Japanese Restaurant" and spa	BGroup	Shareholder	-	-	*	100	(d)
Wen Berjaya Sdn Bhd ("WB")	Restaurant business	BGroup	Shareholder	-	-	13,000	100	(e)
		Dato' Lee Kok Chuan	Company Director	-	-	-	-	
Restoran Rasa Utara Sdn Bhd ("RRU")	Restauranteurs	TSVT	Shareholder	-	-	50	25	(f)

**Notes:-**

\* Amount less than 1,000 (i.e. 2 shares)

(a) BSCC is a 50%-owned associated company of BGroup. The principal activity of BSCC is to develop and operate the "Starbucks Coffee" chain of café and retail stores. As such, BSCC's business activity is not in competition with the Group which operates full service restaurants selling rotisserie roasted chicken as its core product

## 9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

- (b) *BKKD is a 70%-owned subsidiary of Berjaya Premier Restaurants Sdn Bhd ("BPR"), which in turn is a 100%-owned subsidiary by BGroup. The principal activity of BKKD is to develop and operate the "Krispy Kreme Doughnuts" chain of retail outlets and therefore it is not in competition with the Group which operates full service restaurants selling rotisserie roasted chicken as its core product*
- (c) *BPC is a 100%-owned subsidiary of BGroup. The principal activity of BPC is to develop and operate the "Papa John's Pizza" chain of restaurants. The principal activity of BPC is thus different from that of the Group which operates full service restaurants selling rotisserie roasted chicken as its core product*
- (d) *BI is a 100%-owned subsidiary of BLand which in turn is an indirect subsidiary of BGroup. BGroup is thus deemed interested in BI. The principal activity of BI is the operator of a Japanese restaurant known as "Asahi Japanese Restaurant" and spa management. The principal activity of BI is thus different from that of the Group which operates full service restaurants selling rotisserie roasted chicken as its core product.*
- (e) *WB is a 100%-owned subsidiary of BPR. The principal activity of WB is to operate the "Wendy's" chain of retail outlets which specializes in fast food burgers. Thus, WB is not in competition with the Group which operates full service restaurants selling rotisserie roasted chicken as its core product*
- (f) *RRU is a 25%-owned associated company of United Prime Corporation Sdn Bhd, which in turn is a 60.73%-owned subsidiary of B & B Enterprise Sdn Bhd, a 97%-owned company of TSVT. RRU specialises in traditional Malay cuisine hence it is not in competition with the Group which operates full service restaurants selling rotisserie roasted chicken as its core product*

### 9.6 INTERESTS IN OTHER BUSINESSES WHICH ARE THE GROUP'S CUSTOMERS OR SUPPLIERS

As at the LPD, none of the Directors and/or substantial shareholders of BFood are interested, directly or indirectly, in any other businesses and/or corporations which are the customers or suppliers of the Group.

### 9.7 DECLARATIONS BY ADVISERS AND OTHER PROFESSIONALS

#### (a) Principal Adviser

AmlInvestment Bank hereby confirms that, as at the date of this Prospectus, there is no conflict of interest with respect to its capacity as Principal Adviser, Managing Underwriter, Underwriter and Placement Agent for the Listing.

#### (b) Solicitors

Messrs. Zul Rafique & Partners hereby confirms that, as at the date of this Prospectus, there is no conflict of interest with respect to its capacity as legal adviser for the Listing.

#### (c) Reporting Accountant

Messrs. Ernst & Young hereby confirms that, as at the date of this Prospectus, there is no conflict of interest with respect to its capacity as Reporting Accountant for the Listing.

#### (d) Independent Market Research Consultant

Converging Knowledge hereby confirms that, as at the date of this Prospectus, there is no conflict of interest with respect to its capacity as Independent Market Research Consultant for the Listing.

**10. FINANCIAL INFORMATION****10.1 HISTORICAL FINANCIAL INFORMATION**

The following table summarises the proforma consolidated statements of comprehensive income of the Group for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010. The consolidated statements of comprehensive income have not been audited and have been prepared for illustrative purposes only to show the aggregate results of the Group. The consolidated statements of comprehensive income should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 10.6 of this Prospectus.

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009 <sup>(e)</sup>	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	27,308	30,554	42,403	51,896	60,415	17,172	22,405
<b>Cost of sales</b>	(17,103)	(19,161)	(27,155)	(33,178)	(37,783)	(11,313)	(13,607)
<b>Gross profit</b>	10,205	11,393	15,248	18,718	22,632	5,859	8,798
<b>Other income</b>	2,931	3,052	5,714	10,640 <sup>(d)</sup>	7,474	2,260	2,469
<b>Administrative expenses</b>	(9,543)	(10,528)	(12,601)	(15,770)	(19,705)	(5,983)	(7,064)
<b>Operating profit</b>	3,593	3,917	8,361	13,588	10,401	2,136	4,203
<b>Finance costs</b>	(50)	(71)	*	-	-	-	-
<b>PBT</b>	3,543	3,846	8,361	13,588	10,401	2,136	4,203
<b>Taxation</b>	(1,639)	(774)	(1,672)	(974)	(1,721)	149	(939)
<b>PAT</b>	1,904	3,072	6,689	12,614	8,680	2,285	3,264
<b>Other comprehensive items</b>	-	-	-	-	-	-	-
<b>Total comprehensive income for the year/period</b>	<b>1,904</b>	<b>3,072</b>	<b>6,689</b>	<b>12,614</b>	<b>8,680</b>	<b>2,285</b>	<b>3,264</b>
<b>Attributable to:</b>							
- Equity holders of BFood	1,904	3,072	6,689	12,614	8,680	2,285	3,264
- Minority interest	-	-	-	-	-	-	-
<b>No. of Shares <sup>(a)</sup></b>	141,348	141,348	141,348	141,348	141,348	141,348	141,348
<b>EPS</b>							
- Basic <sup>(b)</sup> (sen)	1.35	2.17	4.73	8.92	6.14	1.62	2.31
- Basic assuming full exercise of ESOS <sup>(c)</sup> (sen)	1.28	2.06	4.50	8.48	5.83	1.54	2.19

**10. FINANCIAL INFORMATION**

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009 <sup>(e)</sup>	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>EBITDA</b>	4,681	5,582	10,312	16,598	14,535	3,333	5,729
<b>Gross profit margin (%)</b>	37.37	37.29	35.96	36.07	37.46	34.12	39.27
<b>PBT margin (%)</b>	12.97	12.59	19.72	26.18	17.22	12.44	18.76
<b>PAT margin (%)</b>	6.97	10.05	15.77	24.31	14.37	13.31	14.57

**Notes:-**

- \* Less than RM1,000
- (a) Assuming the Group had been in existence
- (b) Computed based on PAT attributable to equity holders of BFood over the issued and paid-up share capital of 141,348,000 Shares
- (c) For illustrative purposes only, computed based on PAT attributable to equity holders of BFood over the enlarged issued and paid-up share capital of 148,787,000 Shares assuming full exercise of ESOS Options
- (d) Includes gain on disposal of PPE amounted to approximately RM4.4 million
- (e) Stated for comparison purposes only

**10.2 CAPITALISATION AND INDEBTEDNESS**

The following table summarises the Group's cash and cash equivalents and capitalisation as at 31 August 2010:-

	Proforma as at 31 August 2010 after the Acquisition	Upon Listing
	RM'000	RM'000
Cash and cash equivalents	20,131	26,247 <sup>(a)</sup> <sup>(b)</sup>
Total shareholders' equity/capitalisation	43,451	43,137 <sup>(b)</sup>

**Notes:-**

- (a) Includes settlement of inter-company advances by BGroup amounting to approximately RM6.4 million prior to Listing
- (b) After deducting the estimated listing expenses amounting to RM0.7 million

The Group does not have any borrowing as at 31 August 2010 and will not incur any borrowing pursuant to the Listing Scheme.

The contingent liabilities of the Group are as set out in Section 10.4.6 of this Prospectus.

**10. FINANCIAL INFORMATION****10.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS**

The following management's discussion and analysis on the Group's financial condition, results of operations and prospects as set out herein have been made based on the Group's proforma consolidated financial information for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010 which have been prepared for illustrative purposes to reflect what the Group's financial position would have been throughout the periods/years under review and should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 10.6 of this Prospectus.

As highlighted in Section 4.2 of this Prospectus, the Group is primarily involved in the development and operation of the KRR chain of restaurants in Malaysia via its sole subsidiary, BRoasters. As at the LPD, the Group has a total of 51 restaurants located at strategic locations which mainly comprises of shopping malls and specialised retail centres throughout Malaysia.

**10.3.1 Analysis of BFood Group's Operating Results****(a) Revenue**

The Group derived its revenue from its Group-owned restaurants with the general end-consumers as the main target market. In view of the domestic nature of the Group's business, the Group's revenue is solely derived from the local market.

The Group has been enjoying a growth in revenue for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010, details of which are set out as follows:-

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009	2010
Revenue (RM'000)							
- Existing restaurants	25,660	28,145	36,195	44,569	54,359	16,965	22,405
- New restaurants	1,648	2,409	6,208	7,327	6,056	208	-
<b>Total</b>	<b>27,308</b>	<b>30,554</b>	<b>42,403</b>	<b>51,896</b>	<b>60,415</b>	<b>17,172</b>	<b>22,405</b>
No. of Group-owned restaurants							
- At beginning of FYE/FPE	19	21	23	31	42	42	49
- Additions during FYE/FPE	2	2	8	12	8	1	-
- Closure during FYE/FPE	-	-	-	(1)	(1)	(1)	-
- At end of FYE/FPE	21	23	31	42	49	42	49
Average revenue per restaurant (RM'000)							
- Existing restaurants	1,351	1,340	1,574	1,438	1,294	404	457
- New restaurants	824	1,205	776	611	757	208	-

**10. FINANCIAL INFORMATION**

As illustrated in the table above, the Group's revenue has been increasing over the past five (5) years from RM27.3 million in FYE 2006 to RM60.4 million in FYE 2010. The overall increase is generally attributable to the following:-

- better coverage, presence and accessibility with the increase in the number of restaurants from 21 restaurants in FYE 2006 to 49 restaurants in FYE 2010; and
- positive response to the Group's advertising and promotional ("A&P") activities held during the festive seasons, the launching of new products and yearly promotional events such as the Roasters Healthy Watch and Chicken Run as well as tie-ins with blockbuster movies such as "The Chronicles of Narnia: Prince Caspian" and "2012".

The Group started expanding aggressively from FYE 2008 to other major towns in Peninsula Malaysia and East Malaysia other than the Klang Valley to improve coverage, presence and accessibility of the KRR restaurants as well as to reap economies of scale. The restaurants are opened mainly in places where there is a high volume of human traffic such as in major shopping malls and hypermarkets. Such expansion was made possible following the full repayment of the Group borrowings in FYE 2006 which enabled the Group to then focus its funds on expanding the KRR business by opening new restaurants and increasing its advertising and marketing expenses.

In addition, there was an overall upward revision in the menu prices of the Group's products in the FYE 2008 due to the overall increase in raw material.

The opening of the new restaurants in locations outside the Klang Valley and positive response to its A&P activities have contributed to the overall increase in the Group's revenue from FYE 2006 to FYE 2010. In addition, a revision in menu prices in FYE 2008 has contributed to the overall increase in the Group's revenue from FYE 2008 onwards.

Further details of the year-to-year average revenue growth are set out in the financial commentaries below.

Information on the future prospect of the Group *vis-à-vis* the industry is set out in Section 6.11 of this Prospectus.

**Financial Commentaries****FYE 2006 TO FYE 2007**

For the FYE 2007, the Group's revenue increased by RM3.3 million or 11.9% to RM30.6 million from RM27.3 million in FYE 2006. The increase was mainly attributable to the opening of the two (2) new restaurants at the beginning of the FYE 2007, which are strategically located in high traffic suburban malls.

The average revenue per existing restaurant has been fairly consistent for the FYE 2006 to 2007, registering around RM1.3 million per restaurant whereas the average revenue per new restaurant of RM1.2 million in FYE 2007 is commendable as it is comparable to the average revenue for the existing restaurant of RM1.3 million.

**10. FINANCIAL INFORMATION****FYE 2007 TO FYE 2008**

There was an increase in the Group's total revenue which increased by RM11.8 million or 38.8% from RM30.6 million in FYE 2007 to RM42.4 million in FYE 2008. The increase was mainly due to an upward revision in the overall menu prices of the KRR products during the said financial year as well as positive response to the Group's increased A&P activities. During the FYE 2008, the Group opened eight (8) new restaurants, of which seven (7) were in various locations outside the Klang Valley such as in the Northern Region and East Malaysia.

Accordingly, the average revenue per existing restaurant increased from RM1.3 million in FYE 2007 to RM1.6 million in FYE 2008. The average revenue per new restaurant however was RM0.8 million in FYE 2008 as four (4) out of the total eight (8) new restaurants, were opened in the late second half of the said financial year.

**FYE 2008 TO FYE 2009**

The Group's total revenue increased by RM9.5 million or 22.4% from RM42.4 million in FYE 2008 to RM51.9 million in FYE 2009. The increase is mainly attributable to the full year contribution from the Group's restaurants that were opened in the previous FYE 2008. However, with the slowdown in the global economy which have affected the sales receipt of the Group's restaurants in FYE 2009 and the closure of one (1) restaurant which was located in KL Plaza (now known as Fahrenheit88) due to the closure of the shopping complex where the restaurant is located have caused the average revenue per existing restaurants to be lower than in previous financial year.

To further increase its presence, coverage and accessibility, the Group continued to expand by opening twelve (12) new restaurants during the FYE 2009. The average revenue per new restaurant of RM0.6 million for the FYE 2009 was lower compared to RM0.8 million for the FYE 2008 mainly due to five (5) restaurants were only opened in the second half of the FYE 2009 and the lower than expected contribution from its new restaurants which were opened in newer suburban malls whereby traffic is low during the initial stages of operations.

**FYE 2009 TO FYE 2010**

Encouraged by the overall growth in revenue, the Group opened additional eight (8) restaurants in the FYE 2010. The Group's revenue increased albeit at a lower growth rate of about 16.4% (RM8.5 million) from RM51.9 million in FYE 2009 to RM60.4 million in FYE 2010.

The average revenue per existing restaurant however decreased to RM1.3 million in FYE 2010 from RM1.4 million in FYE 2009. This was mainly due to the outbreak of the H1N1 pandemic which occurred in the middle of 2009. Generally, the food and beverages businesses were badly affected as consumers prefer to stay away from places of high traffic volume.

The Group's business was not spared from the effect and only recovered in the second half of the FYE 2010. For information purposes, average revenue per existing Group restaurant during the first six (6) months of FYE 2010 recorded a drop of approximately 8% compared to the corresponding period in the FYE 2009. In addition, the Group closed one (1) of its restaurants which was located in SohoKL, Mont Kiara, in August 2009 due to the unexpectedly low customer traffic flow at the shopping complex.

**10. FINANCIAL INFORMATION**

The average revenue per new restaurant however registered a slight increase to RM0.8 million in FYE 2010 compared to RM0.6 million in FYE 2009 as the new restaurants were opened in choice locations with higher traffic compared to previous financial year.

**FPE 31 AUGUST 2009 TO FPE 31 AUGUST 2010**

For the first four (4) months FPE 31 August 2010, the revenue of the Group increased by RM5.2 million or 30.4% from RM17.2 million in FPE 31 August 2009 to RM22.4 million, mainly attributable to the opening of seven (7) new restaurants after FPE 31 August 2009.

The average revenue per existing restaurant registered an increase of RM0.05 million to RM0.45 million in FPE 31 August 2010 compared to RM0.40 million in FPE 31 August 2009 due to overall better performance compared to FPE 31 August 2009 which was partly impacted by the H1N1 pandemic.

**(b) Cost of sales and Gross Profit**

The main components of the Group's cost of sales are food and paper cost, staff cost, utilities and A&P. The Group monitors and manages its purchases closely to maximize costs savings, quality of products and economies of scales. For example, non-perishable products and products with longer storage life are purchased in bulk to obtain better discounts whereas perishable food products are purchased in smaller quantities to ensure freshness. The Group sources most of its products locally to minimise exposure to currency fluctuations.

Please refer to Section 3.1 (c) of this Prospectus for further information on the impact of availability, quality and price fluctuations of food ingredients towards our Group performance.

The breakdown of the Group's cost of sales for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010 is set out as follows:-

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Food costs and paper costs	7,613/ (48.7%)	8,588/ (48.4%)	11,343/ (47.3%)	14,967/ (48.6%)	16,676/ (47.3%)	4,816/ (46.0%)	6,168/ (47.1%)
Staff costs	5,301/ (33.9%)	6,054/ (34.2%)	8,674/ (36.2%)	10,797/ (35.1%)	12,619/ (35.8%)	3,786/ (36.2%)	4,641/ (35.4%)
Utilities	1,630/ (10.4%)	1,770/ (10.0%)	2,090/ (8.7%)	2,767/ (9.0%)	3,287/ (9.3%)	1,090/ (10.4%)	1,343/ (10.2%)
Others	1,099/ (7.0%)	1,304/ (7.4%)	1,881/ (7.8%)	2,258/ (7.3%)	2,676/ (7.6%)	774/ (7.4%)	957/ (7.3%)
<b>Cost of sales (before A&amp;P)</b>	<b>15,643/ (100%)</b>	<b>17,716/ (100%)</b>	<b>23,988/ (100%)</b>	<b>30,789/ (100%)</b>	<b>35,258/ (100%)</b>	<b>10,466/ (100%)</b>	<b>13,109/ (100%)</b>
A&P	1,460	1,445	3,167	2,389	2,525	847	498
<b>Cost of Sales (after A&amp;P)</b>	<b>17,103</b>	<b>19,161</b>	<b>27,155</b>	<b>33,178</b>	<b>37,783</b>	<b>11,313</b>	<b>13,607</b>



**10. FINANCIAL INFORMATION**

The increase in the total cost of sales has been fairly consistent with the increase in revenue for the past five (5) years from FYE 2006 to FYE 2010. In FYE 2008 and FYE 2010, higher amounts were spent on A&P activities to create market awareness and to promote the Group's products to the general public. There was also a hike in food costs during FYE 2008 due to the increase in chicken costs.

The Group's revenue, cost of sales and gross profit for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010 are set out as follows:-

	FYE					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	27,308	30,554	42,403	51,896	60,415	17,172	22,405
Cost of sales (before A&P)	(15,643)	(17,716)	(23,988)	(30,789)	(35,258)	(10,466)	(13,109)
<b>Gross Profit (before A&amp;P)</b>	<b>11,665</b>	<b>12,838</b>	<b>18,415</b>	<b>21,107</b>	<b>25,157</b>	<b>6,706</b>	<b>9,296</b>
A&P	(1,460)	(1,445)	(3,167)	(2,389)	(2,525)	(847)	(498)
<b>Gross Profit (after A&amp;P)</b>	<b>10,205</b>	<b>11,393</b>	<b>15,248</b>	<b>18,718</b>	<b>22,632</b>	<b>5,859</b>	<b>8,798</b>
<b>Gross Profit Margin (%)</b>							
- Before A&P	42.7	42.0	43.4	40.7	41.6	39.1	41.5
- After A&P	37.4	37.3	36.0	36.1	37.5	34.1	39.3

**Financial Commentaries****FYE 2006 TO FYE 2007**

The cost of sales (after A&P) for the FYE 2007 increased by RM2.1 million or 12.0% to RM19.2 million from RM17.1 million in FYE 2006 which is in line with the overall increase in revenue as demonstrated by the fairly consistent gross profit margin (before and after A&P) for the FYE 2006 and FYE 2007 of approximately 42% and 37% respectively.

**FYE 2007 TO FYE 2008**

The cost of sales (before A&P) increased by RM6.3 million or 35.4% from RM17.7 million in FYE 2007 to RM24.0 million in FYE 2008 in line with the increase in revenue from the opening of eight (8) new restaurants during the said financial year.

Gross profits (before A&P) increased by RM5.6 million or 43.4% from RM12.8 million in FYE 2007 to RM18.4 million in FYE 2008 mainly attributable to the upward revision in the overall menu prices of the KRR products as well as positive response to the Group's increased A&P activities. The higher A&P expenses was attributable to advertisements and promotions tied-up with box office movies as well as in-house television commercial productions.

Accordingly, the gross profit margin (before A&P) for FYE 2008 increased slightly from 42.0% in FYE 2007 to 43.4% in FYE 2008. The gross profit margin (after A&P) however decreased slightly from 37.3% in FYE 2007 to 36.0% in FYE 2008 due to the increase in A&P expenses.

**10. FINANCIAL INFORMATION****FYE 2008 TO FYE 2009**

The cost of sales (before A&P) increased by RM6.8 million or 28.3% to RM30.8 million in FYE 2009 from RM24.0 million in FYE 2008, in tandem with the increase in revenue and the opening of new restaurants during the said financial year. Food costs which form the main component of the Group's total cost of sales had increased mainly due to the rise in chicken costs and higher distribution costs from the opening of more new restaurants outside the Klang Valley (i.e. seven (7) out of the twelve (12) new restaurants) during the said financial year.

As a result, the gross profit margin (before A&P) decreased to 40.7% in FYE 2009 compared to 43.4% in FYE 2008. The gross profit margin (after A&P) of 36.1% in FYE 2009 however remained fairly consistent with previous financial year due to a lower amount of A&P spent.

**FYE 2009 TO FYE 2010**

The cost of sales (before A&P) had generally risen with the increase in revenue and the opening of new restaurants during the said financial year. In the FYE 2010, the cost of sales (before A&P) increased by RM4.5 million or 14.5% to RM35.3 million from RM30.8 million in FYE 2009. The higher A&P expenses were attributable to advertisements and promotions tied-up with a box office movie as well as an in-house television commercial production.

The gross profit margin (before A&P) increased from 40.7% in FYE 2009 to 41.6% in FYE 2010 mainly due to the reduction in food costs (in particular chicken costs) during the said financial year and overall better performances in the Group's restaurants in the second half of the financial year. The Group's overall business was affected by the outbreak of the H1N1 (Influenza A) during the first half of the financial year and it managed to recover in the second half of the financial year due to effective cost control by management and positive response to its A&P activities. The gross profit margin (after A&P) had likewise increased slightly from 36.1% in FYE 2009 to 37.5% in FYE 2010.

**FPE 31 AUGUST 2009 TO FPE 31 AUGUST 2010**

The cost of sales (before A&P) increased by RM2.6 million or 25.3% to RM13.1 million from RM10.5 million in FPE 31 August 2010, in tandem with the increase in revenue and the opening of new restaurants during the said financial period.

The gross profit margin (before A&P) increased to 41.5% in FPE 31 August 2010 compared to 39.1% in FPE 31 August 2009 due to effective cost control by management and higher staff productivity.

**10. FINANCIAL INFORMATION****(c) Other income**

Other income mainly comprises of income received from RAPM, service charges and gain on disposal of PPE. Income received from RAPM consists of the sharing of franchise fee and royalty fee from RAPM in recognition of BRoasters' first right of refusal in respect of the granting of franchises to the Independent Franchisees as detailed in Section 4.2 of this Prospectus.

Service charge income is derived from dine-in sales at the rate of 10% on net sales from the Group-owned restaurants after deducting the amount spent for its employees' benefits and incentives. As such, the gross service charge income received from dine-in sales is correlated with the Group's revenue. Each year, the Group spends around RM0.7 million to RM1.0 million from the service charge income collected for its employees' benefits and incentives. The balance service charge income will be recognised as income to the Group.

Other income also includes rental income from shoplots (which were subsequently sold in FYE 2009), project management fee for interior design work and initial setup rendered to other related companies, sales of gift vouchers and inter-company interest income (with effect from May 2009).

The breakdown of the Group's other income for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010 is set out as follows:-

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income received from RAPM	674/ (23.0%)	748/ (24.5%)	812/ (14.2%)	1,266/ (11.9%)	1,210/ (16.2%)	238/ (10.5%)	225/ (9.1%)
Service charges	2,075/ (70.8%)	1,894/ (62.1%)	4,025/ (70.5%)	3,913/ (36.8%)	5,313/ (71.1%)	1,563/ (69.2%)	1,829/ (74.1%)
Gain on disposal of PPE	-	-	-	4,425/ (41.6%)	14/ (0.2%)	14/ (0.6%)	1/ (*)
Others	182/ (6.2%)	410/ (13.4%)	877/ (15.3%)	1,036/ (9.7%)	937/ (12.5%)	445/ (19.7%)	414/ (16.8%)
<b>Total</b>	<b>2,931/ (100%)</b>	<b>3,052/ (100%)</b>	<b>5,714/ (100%)</b>	<b>10,640/ (100%)</b>	<b>7,474/ (100%)</b>	<b>2,260/ (100%)</b>	<b>2,469/ (100%)</b>

**Note:-**

\* Amount less than 0.1%

**Financial Commentaries****FYE 2006 TO FYE 2007**

Other income increased by about RM0.1 million or 4.1% to RM3.1 million in FYE 2007 from RM2.9 million in FYE 2006 mainly due to the increase in income received from RAPM as a result of better performances from the Independent Franchisees. The increase in "others" is mainly attributable to rental income received amounting to RM0.2 million (FYE 2006: Nil) from the Group's seven (7) shoplots in Queensbay Mall, Penang, where construction was only completed and the shoplots rented out in the in the second half of the FYE 2007.

**10. FINANCIAL INFORMATION**

During the FYE 2007, despite an increase in the Group's revenue, the Group recorded a decreased in net service charge income by RM0.2 million from RM2.1 million in FYE 2006 to RM1.9 million in FYE 2007 due to higher amount spent on employees' benefits.

**FYE 2007 TO FYE 2008**

For FYE 2008, other income increased by RM2.7 million or 87.2% to RM5.7 million from RM3.1 million in FYE 2007 mainly due to increase in service charge income as a lower amount was spent on employees' benefit as part of the Group's austerity drive measures in view of the global financial crisis which occurred during the last quarter of 2007. For FYE 2008, the Group also recorded a full year rental income from its seven (7) shoplots in Queensbay Mall, Penang.

**FYE 2008 TO FYE 2009**

Other income registered an increase of RM4.9 million or 86.2% to RM10.6 million in FYE 2009 from RM5.7 million in FYE 2008. The surge was mainly due to the gain on disposal of the seven (7) shoplots in Queensbay Mall, Penang during the said financial year. There was also a marked increase in income received from RAPM with the increase in contribution from the Independent Franchisees during the said financial year.

Despite the disposal of the Group's seven (7) shoplots in Queensbay Mall, Penang, income from "others" increased slightly by RM0.1 mil from RM0.9 million to RM1.0 million to reflect the management fees income received by the Group for management services, which includes amongst others, project management and interior design consultancy fees provided to related companies during the year as set out above.

**FYE 2009 TO FYE 2010**

For FYE 2010, the Group recorded a gain from the disposal of its motor vehicle amounting to approximately RM14,000. However, for the FYE 2010, the Group's other income registered a decrease of RM3.2 million or 29.8% to RM7.5 million from RM10.6 million in FYE 2009. The decrease is mainly due to the gain from the disposal of PPE (namely, the seven (7) shoplots) in FYE 2009 which contributed about RM4.4 million to the FYE 2009. Nevertheless, the Group's service charge income had increased in line with the increase in the Group's revenue. The Group's income received from "others" for FYE 2010 is RM0.9 million due mainly to interest received from inter-company amounting to approximately RM0.6 million.

**FPE 31 AUGUST 2009 TO FPE 31 AUGUST 2010**

For FPE 31 August 2010, other income increased by RM0.2 million or 9.2% to RM2.5 million from RM2.3 million in FPE 31 August 2009 mainly due to increase in service charge income in line with the increase in revenue.

**10. FINANCIAL INFORMATION****(d) Administrative expenses**

Administrative expenses mainly consist of rental expenses, staff costs and depreciation charges, which in total represent an average of about 87% of the total administrative expenses over the past five (5) years from FYE 2006 to FYE 2010 and for the four (4)-month FPE 31 August 2010. Other administrative expenses mainly comprise of PPE write-offs, travelling, maintenance, insurance, and utilities expenses.

The Group's administrative expenses for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010 are set out as follows:-

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental	5,307/ (55.6%)	5,731/ (54.5%)	6,732/ (53.4%)	8,356/ (53.0%)	9,849/ (50.0%)	3,010/ (50.3%)	3,670/ (51.9%)
Depreciation	1,088/ (11.4%)	1,665/ (15.8%)	1,951/ (15.5%)	3,010/ (19.1%)	4,134/ (21.0%)	1,197/ (20.0%)	1,526/ (21.6%)
Staff costs	1,525/ (16.0%)	1,939/ (18.4%)	2,392/ (19.0%)	2,731/ (17.3%)	3,096/ (15.7%)	1,005/ (16.8%)	1,178/ (16.7%)
Others	1,623/ (17.0%)	1,193/ (11.3%)	1,526/ (12.1%)	1,673/ (10.6%)	2,626/ (13.3%)	771/ (12.9%)	690/ (9.8%)
<b>Total</b>	<b>9,543/ (100%)</b>	<b>10,528/ (100%)</b>	<b>12,601/ (100%)</b>	<b>15,770/ (100%)</b>	<b>19,705/ (100%)</b>	<b>5,983/ (100%)</b>	<b>7,064/ (100%)</b>

In general, the Group's administrative expenses have increased in line with the increase in the opening of new restaurants during the FYE 2006 to FYE 2010 as well as for the four (4)-month FPE 31 August 2009 to FPE 31 August 2010.

**Financial Commentaries****FYE 2006 TO FYE 2007**

For FYE 2007, administrative expenses increased by RM1.0 million or 10.3% from RM9.5 million in FYE 2006 to RM10.5 million mainly as a result of the increase in rental expense and depreciation charge of RM0.4 million and RM0.6 million respectively arising from the opening of two (2) new restaurants during the said financial year.

**FYE 2007 TO FYE 2008**

Administrative expenses increased by RM2.1 million or 19.7% from RM10.5 million in FYE 2007 to RM12.6 million in FYE 2008. This was mainly due to the increase in rental expense, depreciation and staff costs as result of the opening of eight (8) new restaurants during the FYE 2008, of which four (4) were opened during the second half of the said financial year.

**10. FINANCIAL INFORMATION****FYE 2008 TO FYE 2009**

In respect of FYE 2009, administrative expenses increased by about RM3.2 million or 25.1% from RM12.6 million in FYE 2008 to RM15.8 million in FYE 2009. The surge in administrative expenses was mainly due to the opening of twelve (12) new restaurants during the FYE 2009, which resulted in an overall increase in rental expense, depreciation and staff costs.

There was a surge in depreciation for the FYE 2009 due to a full year effect on depreciation charge in respect of previous year's addition of new restaurants coupled with the opening of new restaurants in the FYE 2009.

**FYE 2009 TO FYE 2010**

The total administrative expenses increased by about RM3.9 million or 25.0% from RM15.8 million in FYE 2009 to RM19.7 million in FYE 2010. The surge in administrative expenses was mainly due to the opening of eight (8) new restaurants during the FYE 2010 and a full year effect of the administrative expenses from the twelve (12) restaurants opened in the previous FYE 2009.

**FPE 31 AUGUST 2009 TO FPE 31 AUGUST 2010**

For FPE 31 August 2010, administrative expenses increased by RM1.1 million or 18.1% from RM6.0 million in FPE 31 August 2009 to RM7.1 million mainly as a result of the increase in rental expense and depreciation charge of RM0.7 million and RM0.3 million respectively arising from the opening of seven (7) new restaurants subsequent to FPE 31 August 2009.

**(e) Finance costs**

The Group's operation is self sufficient and did not require any long term borrowings during the past five (5) years from FYE 2006 to FYE 2010 and for the four (4) months ended 31 August 2010 to fund its operations. For the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010, the borrowings (if any) are hire purchase facilities set out as follows:-

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Interest expense	50	71	*	-	-	-	-

**Note:-**

\* Amount less than RM1,000

**Financial Commentaries****FYE 2006 TO FYE 2007**

The increase in finance costs by RM21,000 or 42% from RM50,000 in FYE 2006 to RM71,000 in FYE 2007 was mainly due to penalty interest charged on the early settlement of the hire purchase facility during the said financial year.

**10. FINANCIAL INFORMATION****FYE 2007 TO FYE 2008**

The finance cost for the FYE 2008 is RM347, being the final installment payment (paid in May 2007) of the hire purchase facility which the Group had opted for early settlement in FYE 2007.

**FYE 2008 TO FYE 2009**

There is no finance cost for the FYE 2009.

**FYE 2009 TO FYE 2010**

There is no finance cost for the FYE 2010.

**FPE 31 AUGUST 2009 TO FPE 31 AUGUST 2010**

There is no finance cost for the FPE 31 August 2010.

**(f) PBT and PBT Margin**

The Group's PBT and PBT Margin for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010 are set out as follows:-

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	27,308	30,554	42,403	51,896	60,415	17,172	22,405
PBT excluding gain on disposal of PPE	3,543	3,864	8,361	9,163	10,387	2,122	4,202
Gain on disposal of PPE	-	-	-	4,425*	14	14	1
<b>PBT including gain on disposal of PPE</b>	<b>3,543</b>	<b>3,864</b>	<b>8,361</b>	<b>13,588</b>	<b>10,401</b>	<b>2,136</b>	<b>4,203</b>
PBT Margin (%) (excluding gain on disposal of PPE)	13.0	12.6	19.7	17.7	17.2	12.4	18.8
PBT Margin (%) (including gain on disposal of PPE)	13.0	12.6	19.7	26.2	17.2	12.4	18.8

**Note:-**

\* Gain arising from the disposal of the seven (7) shoplots in Queensbay Mall, Penang

The Group's PBT increased from about RM3.5 million in FYE 2006 to RM10.4 million in FYE 2010 whilst the Group's overall PBT margin increased from 13.0% for FYE 2006 to 17.2% for FYE 2010.

**10. FINANCIAL INFORMATION**

The overall increase in PBT and PBT margin was due to, amongst others, the Group's business expansion plan by increasing the number of its restaurants as well as other factors as explained in Sections 10.3.1 (a), (b) and (c) above.

**Financial Commentaries****FYE 2006 TO FYE 2007**

For the FYE 2007, PBT increased by RM0.3 million or 9.1% to RM3.9 million in FYE 2007 from RM3.5 million in FYE 2006.

Although PBT has increased, the PBT margin registered a slight decrease of 0.4% to 12.6% in FYE 2007 from 13.0% in FYE 2006 mainly due to higher total administrative expenses incurred for the FYE 2007 compared to FYE 2006 as set out in Section 10.3.1 (d) above.

**FYE 2007 TO FYE 2008**

For the FYE 2008, PBT increased significantly by RM4.5 million or more than 100% to RM8.4 million in FYE 2008 from RM3.9 million in FYE 2007. As mentioned in Section 10.3.1 (a) and (c) above, the increase was mainly attributable to the increase in revenue arising from the opening of new restaurants and the increase in other income for FYE 2008.

PBT margin accordingly increased to 19.7% in FYE 2008 from 12.6% in FYE 2007.

**FYE 2008 TO FYE 2009**

For the FYE 2009, PBT had increased in tandem with the increase in revenue i.e. by RM5.2 million or 62.5% to RM13.6 million in FYE 2009 from RM8.4 million in FYE 2008. However, the increase is attributable to the gain arising from the disposal of PPE (namely, the seven (7) shoplots in Queensbay Mall, Penang) of RM4.4 million as explained in Section 10.3.1 (c) above.

If excluding gain from the disposal of PPE, the PBT for the FYE 2009 increased by about RM0.8 million or 9.6% from RM8.4 million in FYE 2008 to RM9.2 million in FYE 2009.

PBT margin (after adjusting for the gain from the disposal of PPE) accordingly recorded a decrease of 2% from 19.7% in FYE 2008 to 17.7% in FYE 2009.

**FYE 2009 TO FYE 2010**

For the FYE 2010, PBT including gain from the disposal of PPE in FYE 2009 showed a decrease of RM3.2 million or 23.5% to RM10.4 million in FYE 2010 compared to RM13.6 million in FYE 2009. However, PBT excluding gain from the disposal of PPE in FYE 2009 showed an increase of RM1.2 million or 13.4% from RM9.2 million in FYE 2009 to RM10.4 million in FYE 2010 which is generally in line with the overall increase in gross profit as explained in Section 10.3.1 (b) above.

The PBT margin for FYE 2010 remains fairly consistent with the PBT margin for FYE 2009 (after adjusting for the gain on disposal of PPE).



**10. FINANCIAL INFORMATION****FPE 31 AUGUST 2009 TO FPE 31 AUGUST 2010**

For the FPE 31 August 2010, PBT increased by RM2.1 million or more than 100% to RM4.2 million in FPE 31 August 2010 from RM2.1 million in FPE 31 August 2009 mainly attributable to the increase in revenue arising from the opening of new restaurants subsequent to FPE 31 August 2009 as mentioned in Section 10.3.1 (a) above coupled with effective cost control by management.

PBT margin accordingly increased to 18.8% in FPE 31 August 2010 from 12.4% in FPE 31 August 2009.

**(g) Taxation**

The Group's taxation and effective tax rates, being tax expenses as a percentage of the Group's PBT for the past five (5) years from FYE 2006 to FYE 2010 as well as for the four (4)-month FPE 31 August 2009 and FPE 31 August 2010 are set out as follows:-

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PBT including gain on disposal	3,543	3,846	8,361	13,588	10,401	2,136	4,203
Taxation (RM'000)	1,639	774	1,672	974	1,721	(149)	939
Effective Tax Rates (%)	46.3	20.1	20.0	7.2	16.5	(7.0)	22.3
Malaysian Statutory Tax Rates (%)	28.0	27.0	26.0	25.0	25.0	25.0	25.0

Save for FYE 2006, the effective tax rate of the Group has traditionally been lower than the Malaysian statutory tax rates. This was mainly due to the utilisation of unutilised tax losses of other related companies (within BGroup and its subsidiaries) in the respective financial years and/or overprovision of taxation.

**Financial Commentaries****FYE 2006 TO FYE 2007**

The effective tax rate for FYE 2006 of 46.3% was significantly higher than the then prevailing statutory tax rate of 28.0% mainly due to under provision of deferred tax in prior years of RM0.4 million and the disallowance of non-deductible expenses for tax purposes of RM0.3 million.

Taxation decreased by RM0.8 million from RM1.6 million in FYE 2006 to RM0.8 million in FYE 2007. The effective tax rate for FYE 2007 of 20.1% was lower than the then prevailing statutory tax rate of 27.0% mainly due to over provision of deferred tax in prior years of RM0.5 million.

**10. FINANCIAL INFORMATION**

**FYE 2007 TO FYE 2008**

The increase in taxation for the FYE 2008 by RM0.9 million from RM0.8 million in FYE 2007 to RM1.7 million in FYE 2008 is in line with the increase in PBT. The effective tax rates for FYE 2008 of 20.0% was lower than the then prevailing statutory tax rate of 26.0% mainly due to the availability of group relief of RM0.7 million.

**FYE 2008 TO FYE 2009**

Taxation decreased by RM0.7 million from RM1.7 million in FYE 2008 to RM1.0 million in FYE 2009. The effective tax rate for FYE 2009 of 7.2% is significantly lower than the then prevailing statutory tax rate of 25.0% mainly due to the availability of group relief of RM0.9 million, over provision of income tax expense and deferred tax in prior years of RM0.4 million and RM0.4 million respectively and the non-taxability of capital gain of RM4.4 million from the disposal of the seven (7) shoplots in Queensbay Mall, Penang.

**FYE 2009 TO FYE 2010**

The Group's taxation increase by RM 0.7 million from RM1.0 million in FYE 2009 to RM1.7 million in FYE 2010, the increase is mainly due to higher amount of expenses not deductible for tax purposes of RM0.6 million and the non-taxability of capital gain of RM4.4 million in FYE 2009 which was not available in FYE 2010.

**FPE 31 AUGUST 2009 TO FPE 31 AUGUST 2010**

The taxation for the FPE 31 August 2010 is RM0.9 million and the effective tax rate is 22.3% which is lower than the prevailing statutory tax rate by 2.7% mainly due to the overprovision of taxation in prior year.

The credit taxation position for the FPE 31 August 2009 is mainly due to overprovision of taxation in prior year arising from higher group relief utilised as compared to the amount of group relief estimated in the previous reporting period.

**10. FINANCIAL INFORMATION****(h) PAT and PAT Margin**

The Group's PAT and PAT Margin for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010 are set out as follows:-

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	27,308	30,554	42,403	51,896	60,415	17,172	22,405
PAT excluding gain on disposal of PPE	1,904	3,072	6,689	8,189	8,666	2,271	3,263
Gain on disposal of PPE	-	-	-	4,425*	14	14	1
<b>PAT including gain on disposal of PPE</b>	<b>1,904</b>	<b>3,072</b>	<b>6,689</b>	<b>12,614</b>	<b>8,680</b>	<b>2,285</b>	<b>3,264</b>
PAT Margin (%) (excluding gain on disposal gain of PPE)	7.0	10.1	15.8	15.8	14.3	13.2	14.6
PAT Margin (%) (including gain on disposal gain of PPE)	7.0	10.1	15.8	24.3	14.4	13.3	14.6

**Note:-**

\* Gain arising from the disposal of the seven (7) shoplots in Queensbay Mall, Penang

The Group's PAT increased from about RM1.9 million in FYE 2006 to RM8.7 million in FYE 2010 whilst the Group's PAT margin increased from 7.0% for FYE 2006 to 14.4% for FYE 2010.

The overall increase in PAT and the PAT margin is in line with the increase in revenue, gross profit and PBT as explained in Sections 10.3.1 (a), (b) and (f) above.

**Financial Commentaries****FYE 2006 TO FYE 2007**

As a result of lower taxation, the increase in PAT of RM1.2 million from FYE 2006 to FYE 2007 was RM0.9 million higher than the increase in PBT of RM0.3 million.

The Group's PAT margin increased to 10.1% for FYE 2007 from 7.0% for FYE 2006. Please refer to Sections 10.3.1 (a), (b), (f) and (g) for the explanation on the increase in PAT margin for FYE 2006 to FYE 2007.

**FYE 2007 TO FYE 2008**

PAT for the FYE 2008 increased by RM3.6 million or more than 100% from RM3.1 million in FYE 2007 to RM6.7 million in FYE 2008.

**10. FINANCIAL INFORMATION**

As a result of the increase in taxation, the increase in PAT of RM3.6 million from FYE 2007 to FYE 2008 was RM0.9 million lower than the increase in PBT of RM4.5 million.

For FYE 2008, in line with the increase in the Group's PAT, the PAT margin accordingly increased to 15.8% in FYE 2008 from 10.1% in FYE 2007. This is mainly due to the increase in PBT margin despite a higher taxation expense for the year. Please refer to Section 10.3.1 (f) for the explanation behind the increase of PBT margin for FYE 2008.

**FYE 2008 TO FYE 2009**

The increase in PBT and a lower taxation had resulted in the PAT for the FYE 2009 to increase by RM5.9 million compared to FYE 2008 mainly attributable to the gain on disposal of PPE as explained in Section 10.3.1 (c) above.

The Group's PAT margin accordingly increased to 24.3% in FYE 2009 from 15.8% for FYE 2008 as a result of the said gain on disposal of PPE. However, the PAT margin for FYE 2009 (after adjusting for the gain on disposal of PPE) of 15.8% is similar to the PAT margin for the FYE 2008.

**FYE 2009 TO FYE 2010**

For the FYE 2010, PAT showed a decrease of RM3.9 million or 31.2% to RM8.7 million in FYE 2010 compared to RM12.6 million in FYE 2009 (before adjusting for the gain on disposal of PPE). However, PAT showed an increase of RM0.5 million or 5.8% from RM8.2 million in FYE 2009 (after adjusting for the gain on disposal of PPE) to RM8.7 million in FYE 2010.

The PAT margin decrease slightly by 1.5% from 15.8% in FYE 2009 (after adjusting for the gain on disposal of PPE) to 14.3% in FYE 2010. The decrease is mainly due to higher amount of expenses not deductible for tax purposes and the non-taxability of capital gain in FYE 2009 not available in FYE 2010. Please refer to Section 10.3.1 (g) for further explanation.

**FPE 31 AUGUST 2009 TO FPE 31 AUGUST 2010**

For the FPE 31 August 2010, PAT (excluding gain on disposal of PPE) showed an increase of RM1.0 million or 43.7% to RM3.3 million in FPE 31 August 2010 compared to RM2.3 million in FPE 31 August 2009 mainly due to the increase of PBT margin.

The PAT margin (excluding gain on disposal of PPE) accordingly increased by 1.4% from 13.2% in FPE 31 August 2009 to 14.6% in FPE 31 August 2010.

**10.3.2 Significant Factors Affecting Profits**

The main factors that may affect profits from time to time include but are not limited to the following:-

**(a) Demand and Supply Conditions**

The Group's revenue and profit is dependent on the demand and supply conditions as set out in Section 6.7 of this Prospectus.

**10. FINANCIAL INFORMATION****(b) Availability, Quality and Price Fluctuations of Food Ingredients**

A significant increase in the market prices of food ingredients will have an adverse effect on the Group's profit if the Group is unable to pass on such increase in the price of food ingredients to its customers. Please refer to Section 3.1 (c) of this Prospectus for further discussions on availability, quality and price fluctuations on food ingredients and how it impacts the financial performance of the Group.

**(c) Intense Competition**

The Group competes with many well-established food service companies on the basis of price, service, ambience, location and food quality. Please refer to Section 3.2 (a) of this Prospectus for further discussions on competition and how it impacts the market share and financial performance of the Group.

**(d) Outbreak of Diseases**

Pandemics such as SARS and H1N1 may have an adverse impact on the Group's business. Please refer to Section 3.2 (c) of this Prospectus for further discussions on disease outbreaks and how it impacts the financial performance of the Group.

**10.3.3 Material Changes in Sales/Revenue**

The reasons for material changes in the Group's revenue for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010 are set out in Section 10.3.1 of this Prospectus.

**10.3.4 Impact of Foreign Exchange/Interest Rates/Commodity Prices**

The Group's business operations and customer base are all within Malaysia. All sales and purchases are made in RM for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010. For the past five (5) years from FYE 2006 to FYE 2010 and the four (4) month FPE 31 August 2009 and FPE 31 August 2010, the Group does not have any material foreign exchange exposure. Accordingly, the Group does not require any hedging policies nor have the Group entered into any forward contracts with respect to its foreign exchange exposure.

There is no material impact of foreign exchange, interest rates, and commodity prices on the Group's historical profit for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010.

**10.3.5 Impact of Inflation**

There is no material impact of inflation on the Group's historical profit for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010.

**10. FINANCIAL INFORMATION****10.3.6 Government/Economic/Fiscal/Monetary Policies**

Risks relating to government, economic, fiscal or monetary policies, which may materially affect the Group's operations, are set out in Section 3.2 (d) of this Prospectus.

There is no material impact of the government, economic, fiscal or monetary policies or factors on the Group's historical profits for the past five (5) years from FYE 2006 to FYE 2010 and the four-(4) month FPE 31 August 2009 and FPE 31 August 2010.

**10.4 LIQUIDITY AND CAPITAL RESOURCES****10.4.1 Working Capital**

The Group's internal sources of funds are mainly derived from cash generated from operations and internally generated funds. The Group's external sources of funds are primarily from credit facilities with financial institutions and credit extended to the Group by suppliers.

As at 31 August 2010, after incorporating the effects of the Listing Scheme, the proforma Group will have cash and cash equivalents of approximately RM26.2 million. As at the LPD, the Group has in aggregate, RM2.0 million of credit facilities comprising overdrafts and bank guarantees.

The Board is of the opinion that based on the cash flows generated from operations, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

**10.4.2 Cash Flows**

A summary of the Group's proforma cash flow for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 (stated for comparison purposes only) and FPE 31 August 2010 is as follows:-

	← FYE →					For the 4-month FPE 31 August	
	2006	2007	2008	2009	2010	2009	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash generated from operating activities	4,354	6,040	8,624	11,188	12,717	1,141	3,846
Net cash used in investing activities	(2,736)	(2,823)	(7,427)	(2,432)	(6,962)	(698)	(71)
Net cash (used in)/generated from financing activities	(878)	(760)	(5,000)	647	(295)	(2,880)	121
<b>Net change in cash and cash equivalents</b>	<b>740</b>	<b>2,457</b>	<b>(3,803)</b>	<b>9,403</b>	<b>5,460</b>	<b>(2,437)</b>	<b>3,896</b>
Cash and cash equivalents at the beginning of the year/period	1,978	2,718	5,175	1,372	10,775	10,775	16,235
<b>Cash and cash equivalents at end of the year/period</b>	<b>2,718</b>	<b>5,175</b>	<b>1,372</b>	<b>10,775</b>	<b>16,235</b>	<b>8,338</b>	<b>20,131</b>

**10. FINANCIAL INFORMATION****FYE 2006 TO FYE 2007****Net Cash generated from Operating Activities**

For the FYE 2007, the net cash generated from operating activities of the Group increased by RM1.6 million or 38.7% to RM6.0 million from RM4.4 million in FYE 2006. The increase was mainly attributable to increased sales from the opening of the two (2) new restaurants at the beginning of the FYE 2007.

**Net Cash used in Investing Activities**

The net cash used in investing activities increased by RM0.1 million or 3.2% to RM2.8 million from RM2.7 million in FYE 2006. The increase was mainly attributable to the higher amount spent on acquisition of PPE to fit out the new restaurants during the FYE 2007.

**Net Cash used in Financing Activities**

BRoasters' net cash used in financing activities decreased by RM0.1 million or 13.4% to RM0.8 million from RM0.9 million in FYE 2006. The decrease was mainly due to lower amount of repayment to related companies.

**FYE 2007 TO FYE 2008****Net Cash generated from Operating Activities**

For the FYE 2008, the net cash generated from operating activities of the Group increased by RM2.6 million or 42.8% to RM8.6 million from RM6.0 million in FYE 2007. The increase was mainly attributable to the upward revision in the overall menu prices of the KRR products during the said financial year and an additional eight (8) new restaurants being opened during the FYE 2008 but were offset by higher A&P expenses paid.

**Net Cash used in Investing Activities**

The net cash used in investing activities increased by RM4.6 million or more than 100% to RM7.4 million from RM2.8 million in FYE 2007 mainly due to increase in PPE in tandem with the increase of new restaurants during the FYE 2008 as mentioned above.

**Net Cash used in Financing Activities**

The net cash used in financing activities increased by RM4.2 million or more than 100% to RM5.0 million from RM0.8 million in FYE 2007. The increase was mainly due to a major repayment to related companies.

**FYE 2008 TO FYE 2009****Net Cash generated from Operating Activities**

For the FYE 2009, the net cash generated from operating activities of the Group increased by RM2.6 million or 29.7% to RM11.2 million from RM8.6 million in FYE 2008. The increase was mainly attributable to the full year contribution from the Group's restaurants that were opened in the previous financial year. Contributions for the new restaurants were not significant as they were opened in the second half of the financial year. However, payments for operating cost also increased due to increase in food cost and transportation expenses.

**10. FINANCIAL INFORMATION****Net Cash used in Investing Activities**

The net cash used in investing activities decreased by RM5.0 million or 67.3% to RM2.4 million from RM7.4 million in FYE 2008. During the FYE 2009, the opening of twelve (12) new restaurants incurred high cash outflow but this was offset by the sale proceeds received from the disposal of seven (7) units of shoplots. Thus, the net cash used in investing activities was lower than the FYE 2008.

**Net Cash used in Financing Activities**

The net cash generated from financing activities of RM0.6 million was mainly due to receipt of repayment from related companies.

**FYE 2009 TO FYE 2010****Net Cash generated from Operating Activities**

For the FYE 2010, the net cash generated from operating activities of the Group increased by RM1.5 million or 13.7% to RM12.7 million from RM11.2 million in FYE 2009. The increase was mainly attributable to higher sales generated from the additional eight (8) restaurants opened in the FYE 2010 but was offset by higher A&P expenses paid.

**Net Cash used in Investing Activities**

The net cash used in investing activities increased by RM4.5 million or more than 100% to RM7.0 million from RM2.4 million in FYE 2009 mainly due to acquisition of two (2) business operations which were operating KRR restaurants and additional acquisition of PPE during the FYE 2010.

**Net Cash used in Financing Activities**

The net cash used in financing activities for the FYE 2010 was mainly due to the payment of dividends.

**FPE 31 AUGUST 2009 TO 31 AUGUST 2010****Net Cash generated from Operating Activities**

For the FPE 31 August 2010, the net cash generated from operating activities of the Group increased by RM2.7 million or more than 100% to RM3.8 million from RM1.1 million in FPE 31 August 2009. The increase was mainly attributable to higher sales generated from the additional seven (7) restaurants opened subsequent to the FPE 31 August 2009.

**Net Cash used in Investing Activities**

The net cash used in investing activities decreased by RM0.63 million or 89.8% to RM0.07 million from RM0.7 million in FPE 31 August 2009 mainly due to the opening of one (1) new restaurant and the refurbishment of two existing restaurants in the previous financial period.

**Net Cash used in Financing Activities**

The net cash generated from financing activities for the FPE 31 August 2010 was due to the advancement of funds from holding company.



**10. FINANCIAL INFORMATION****10.4.3 Borrowings**

The Group did not have any borrowings for the FYE 2010 and the four (4)-month FPE 31 August 2010 as well as up to the LPD.

**10.4.4 Material Commitment**

As at the LPD, there are no material commitment for capital expenditures contracted or known to be contracted by the Company or its subsidiary.

**10.4.5 Material Litigation/Arbitration**

As set out in Section 15.5 of this Prospectus, as at the LPD, neither the Company nor its subsidiary is engaged in any material litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiary, and the Board is not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group.

**10.4.6 Contingent Liabilities**

As at the LPD, the Board is not aware of any material contingent liabilities incurred by the Company or its subsidiary, which upon becoming enforceable may have a material effect on the financial position of the Group.

**10.4.7 Key Financial Ratios**

The tables below highlight the key financial ratios of the Group for the past five (5) years from FYE 2006 to FYE 2010 and the four (4)-month FPE 31 August 2009 and FPE 31 August 2010.

**Trade Receivables Turnover**

The trade receivables substantially comprise debts receivable from credit card companies with turnover period less than a week. Hence, as at the LPD, no provision for doubtful debts is required.

**Trade Payables Turnover**

	← FYE →					For the 4-month FPE 31 August	
	2006 (days)	2007 (days)	2008 (days)	2009 (days)	2010 (days)	2009 (days)	2010 (days)
<b>Trade payables turnover period</b>	30	29	32	36	30	34	25

The normal credit period given by the Group's trade creditors ranges from 30 days to 45 days. During the past five (5) years from FYE 2006 to FYE 2010, the trade payables turnover period ranges from 25 days to 36 days which are within the credit periods normally granted by suppliers. As at the LPD, BRoasters has not defaulted on any principal and/or interest payment to its creditors.

**10. FINANCIAL INFORMATION****Trade Payables Ageing Analysis as at 31 August 2010**

	0-30 days	31-60 days	61-90 days	Above 90 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	2,458	80	-	-	2,538
% of trade payables	96.8	3.2	-	-	100

Based on the ageing analysis above, the trade payables are within the normal credit period.

**Inventory Turnover**

	← FYE →					For the 4-month FPE 31 August	
	2006 (days)	2007 (days)	2008 (days)	2009 (days)	2010 (days)	2009 (days)	2010 (days)
Inventory turnover period	15	15	16	19	19	21	18

The inventory turnover period ranges from 15 days to 21 days and the inventories mainly comprise perishable and non-perishable food such as chicken, vegetables, spices, spaghetti, etc.

Inventory level was on an increasing trend as the Group expanded its operations to East Malaysia (with effect from FYE 2008) resulting in higher inventory holdings to minimize the frequency of delivery and the costs involved. The introduction of new menu offerings (e.g. ice blended beverages, sandwiches etc) in May 2009 had also contributed to the increase in inventories in FYE 2009 and FYE 2010.

**10.4.8 Trend Information**

As at the LPD, to the best of the knowledge and belief of the Board, the Group's operations have not been and are not expected to be affected by any of the following:-

- (a) Known trends, demands, commitments, events or uncertainties that had or that the Group reasonably expect to have, a material favourable or unfavourable impact on the Group's financial performance, position and operations other than those discussed in this section, Section 3 and Section 5 of this Prospectus;
- (b) Material commitment for capital expenditure;
- (c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group, save as disclosed in this section and in Section 3 of this Prospectus;

**10. FINANCIAL INFORMATION**

- (d) Known trends, demands, commitments, events or uncertainties that had resulted in a material impact on the Group's revenue and/or profits save for those that have been disclosed in this section, industry overview as set out in Section 6 of this Prospectus, and future plans and strategies as set out in Section 6.11 of this Prospectus;
- (e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make the group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section, Section 3 and Section 5 of this Prospectus; and
- (f) Known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expect to have, a material favourable or unfavourable impact on the Group's liquidity and capital resources, other than those discussed in this section and in Section 3 of this Prospectus.

The Board is positive about the future prospects of the Group given the favourable outlook as set out in Section 6.10 of this Prospectus, the competitive strengths as set out in Section 5.5 of this Prospectus and the Group's dedication to implement the future plans and strategies set out in Section 6.11 of this Prospectus.

**10.5 DIVIDEND POLICY**

Going forward, the Directors of the Company intend to recommend and distribute dividends of up to 50% of the Company's annual profit attributable to the equity holders of the Company. This is in line with the Directors' policy to recommend dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the Group.

Notwithstanding the above, the Directors of the Company will consider, amongst others, the following factors, when recommending final dividends for approval by shareholders or when declaring any interim dividends:-

- (a) The availability of adequate distributable reserves and cash flows;
- (b) The operating cash flow requirements and financing commitments of the Group;
- (c) The anticipated future operating condition, as well as future expansion, capital expenditure and investment plans of the Group; and
- (d) Any material impact of tax laws and other regulatory requirements.

Investors should note that this dividend policy merely describes the Company's present intention and shall not constitute legally binding statements in respect of the Company's future dividends which are subject to modification (including reduction or non-declaration thereof) at the Board's discretion.

**10. FINANCIAL INFORMATION**

**10.6 PROFORMA CONSOLIDATED FINANCIAL INFORMATION TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**



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**REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

**(Prepared for inclusion in the Prospectus dated 18 February 2011)**

The Board of Directors  
Berjaya Food Berhad  
Lot 13-01A, Level 13 (East Wing)  
Berjaya Times Square  
No. 1, Jalan Imbi  
55100 Kuala Lumpur  
Wilayah Persekutuan

31 January 2011

Dear Sirs

**BERJAYA FOOD BERHAD ("BFOOD" OR THE "COMPANY")  
REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED  
FINANCIAL INFORMATION**

We report on the pro forma consolidated financial information of the Group comprising BFood and its subsidiary, Berjaya Roasters (M) Sdn Bhd ("BRoasters") (collectively known as "BFood Group" or the "Group") as set out in the Appendix excluding the unaudited proforma statement of comprehensive income for the four-month financial period ended 31 August 2009, which we have stamped for the purpose of identification. The pro forma consolidated financial information have been prepared by the directors of BFood, for illustrative purposes only, on the basis of assumptions as set out in the notes and after making certain adjustments to show what:

- (a) the financial results of BFood Group for the past five financial years from 30 April 2006 to 30 April 2010 and for the financial period ended 31 August 2009 and 31 August 2010 would have been, if the Group structure had been in place since the beginning of the years/period being reported thereon;
- (b) the financial position of BFood Group as at 31 August 2010 would have been, if the Group structure had been in place on that date; and



**BERJAYA FOOD BERHAD  
REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED  
FINANCIAL INFORMATION (CONT'D.)**

- (c) the cash flows of BFood Group for the financial period ended 31 August 2010 would have been, if the Group structure had been in place since the beginning of the financial period.

The pro forma consolidated financial information, because of its nature, may not be reflective of BFood Group's actual financial results, financial position and cash flows.

This report is required by and is given for the purpose of complying with requirements of the Prospectus Guidelines issued by the Securities Commission ("Prospectus Guidelines") and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of BFood to prepare the pro forma consolidated financial information in accordance with requirements of the Prospectus Guidelines.

It is our responsibility to form an opinion, as required by the Prospectus Guidelines as to the proper compilation of the pro forma consolidated financial information and to report that opinion to you.

In providing this opinion we are not responsible in updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma consolidated financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our work in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 - Assurance Engagements Other Than Audit or Reviews of Historical Information. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma consolidated financial information with the directors and officers of BFood.



**BERJAYA FOOD BERHAD  
REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED  
FINANCIAL INFORMATION (CONT'D.)**

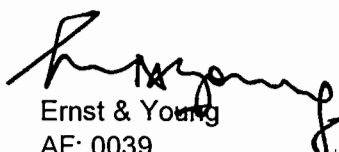
We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma consolidated financial information have been properly compiled on the basis stated using financial statements prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies of the BFood Group. Our work also involves assessing whether the adjustments made to the information used in the preparation of the pro forma consolidated financial information are appropriate for the purposes of preparing the pro forma consolidated financial information.

In our opinion:


- (i) the pro forma consolidated financial information excluding the pro forma statement of comprehensive income for the four-month financial period ended 31 August 2009, which have been prepared by the directors of BFood Group, have been properly prepared on the basis stated using financial statements prepared in accordance with Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the consolidated financial statements and the accounting policies to be adopted by BFood Group; and
- (ii) each material adjustment made to the information used in the preparation of the pro forma consolidated financial information is appropriate for the purposes of preparing the pro forma consolidated financial information.

As the pro forma statement of comprehensive income for the four-month financial period ended 31 August 2009 is unaudited, we are unable to state whether the pro forma statement of comprehensive income for the four-month financial period ended 31 August 2009, which has been prepared by the directors of BFood Group, has been properly prepared on the basis stated using financial statements prepared in accordance with Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the consolidated financial statements and the accounting policies to be adopted by BFood Group.

Yours faithfully



Ernst & Young  
AF: 0039  
Chartered Accountants



Yap Seng Chong  
No. 2190/12/11(J)  
Chartered Accountant

Kuala Lumpur, Malaysia

**10. FINANCIAL INFORMATION****BERJAYA FOOD BERHAD**  
**(Incorporated in Malaysia)**

Appendix

**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION****1.0 Introduction**

The pro forma consolidated financial information, comprising the pro forma consolidated statements of comprehensive income for the last five financial years ended 30 April 2006, 2007, 2008, 2009 and 2010 and four-month financial periods ended 31 August 2009 and 31 August 2010 (as further elaborated in Section 4.1 below), the pro forma consolidated statements of financial position as at 31 August 2010, and the pro forma consolidated statement of cash flows for the four-month financial period ended 31 August 2010 have been prepared for inclusion in the Prospectus of Berjaya Food Berhad ("BFood") in connection with the listing of BFood on the Main Market of the Bursa Malaysia Securities Berhad.

BFood was incorporated on 21 October 2009. On a pro forma basis, the consolidated statements of comprehensive income for the financial years ended 30 April 2006, 2007, 2008, 2009, 2010 and four-month financial period ended 31 August 2009 and 31 August 2010 and consolidated statement of cash flows for the four-month financial period ended 31 August 2010 have been presented in this report on the assumption that the current structure of BFood Group existed throughout the financial years and financial period under review. The pro forma consolidated statements of financial position as at 31 August 2010 have been presented in this report in a manner depicting the acquisition of BRoasters by BFood as having completed on 31 August 2010. The pro forma consolidated statements of comprehensive income, statements of financial position and statement of cash flows of BFood are primarily in respect of BRoasters.

**2.0 Abbreviations**

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

Acquisition	The acquisition by BFood of the entire issued and paid-up share capital of BRoasters representing 17,000,000 ordinary shares of RM1.00 each from Berjaya Group Berhad for a total consideration of RM72,087,478 which was satisfied via the issuance of 141,347,996 new shares in BFood at an issue price of RM0.51 each, credited as fully paid-up
BFood	Berjaya Food Berhad (876057-U)
BRoasters	Berjaya Roasters (M) Sdn. Bhd. (278605-A)
BCorporation	Berjaya Corporation Berhad (554790-X)
BCorporation Group	BCorporation, its subsidiaries and associated companies
BFood Group	BFood and its subsidiary, BRoasters
BGroup	Berjaya Group Berhad (7308-X)
BFood Share(s) or Share(s)	Ordinary share(s) of RM0.50 each in BFood
Bursa Securities	Bursa Malaysia Securities Berhad (635998-W)

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**10. FINANCIAL INFORMATION**

Appendix

**BERJAYA FOOD BERHAD  
(Incorporated in Malaysia)****PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D.)****2.0 Abbreviations (cont'd.)**

ESOS	Employees' share option scheme for the grant of options to eligible directors and employees of the Group to subscribe for new Shares
FPE	Financial period ended
FYE	Financial year ended
Listing	Admission to the Official List and the listing of and quotation for BFood's entire issued and paid-up share capital comprising 141,348,000 Shares on the Main Market of Bursa Securities
Listing Scheme	The Acquisition, Offer For Sale, Listing and ESOS, collectively
Offer For Sale or Offer	Offer for sale of 35,837,000 BFood Shares by the Offeror at the Offer Price, payable in full upon application
Offer Price	RM0.51 for each Offer Share, being the price payable by investors under the Offer For Sale
Offeror	BGroup, a substantial shareholder of BFood
RM and sen	Ringgit Malaysia and sen respectively

**3.0 Listing scheme**

On 31 March 2010, the Board of Directors of BFood approved the listing of BFood on the Main Market of Bursa Securities. In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of BFood on the Main Market of Bursa Securities, BFood proposes to implement a listing scheme which involved/involves the following:

- (a) Acquisition of entire issued and paid-up share capital of BRoasters representing 17,000,000 ordinary shares of RM1.00 each by BFood from BGroup for a total consideration of RM72,087,478 which was satisfied via the issuance of 141,347,996 new Shares in BFood at an issue price of RM0.51 each, credited as fully paid-up. Pursuant to the Acquisition, a Sale and Purchase Agreement was entered into on 31 March 2010 between BFood as the purchaser and BGroup as the vendor.

The acquisition which had been undertaken by BFood as part of the Listing Scheme was completed on 19 January 2011.

- (b) Offer for Sale by BGroup of 35,837,000 ordinary shares of RM0.50 each in BFood at an Offer Price of RM0.51.
- (c) Issuance of 7,439,000 new BFood Shares, representing approximately 5% of the enlarged issued and paid-up share capital of BFood pursuant to the ESOS.
- (d) Upon completion of the Offer for Sale, BFood will seek the listing of and quotation for its entire enlarged issued and paid-up share capital of BFood Shares on the Main Market of Bursa Securities.



**BERJAYA FOOD BERHAD  
(Incorporated in Malaysia)****4.0 Basis of preparation of proforma consolidated financial information**

- 4.1** The pro forma consolidated financial information have been prepared for the inclusion in the Prospectus of BFood in connection with the Listing to illustrate:
- (a) the consolidated statements of comprehensive income for the past five FYE 30 April 2006 to 30 April 2010 and FPE 31 August 2009 and FPE 31 August 2010 would have been if the pro forma Group structure had been in existence throughout the financial years/period under review;
  - (b) the consolidated statement of financial position of the Group as at 31 August 2010 would have been if the pro forma Group structure had been in place on that date, adjusted for the acquisitions of BRoasters, proposed issuance of BFood ESOS and the estimated listing expenses; and
  - (c) the consolidated statement of cash flows of the Group for the FPE 31 August 2010 would have been if the pro forma Group structure had been in existence throughout the FPE 31 August 2010.

The acquisition of BRoasters meets the criteria of business combinations involving entity under common control and accordingly merger accounting principles have been applied.

- 4.2** The pro forma financial information have been prepared for illustrative purposes, based on the individual audited financial statements of BFood and its subsidiary for the past five FYE 30 April 2006 to 30 April 2010 and FPE 31 August 2010 using the bases and accounting principles consistent with those adopted by BFood Group, after giving effect to the pro forma adjustments which are considered appropriate.

The audited financial statements of BFood and its subsidiary for the past 5 FYE 30 April 2006 to 30 April 2010 and FPE 31 August 2010 have been prepared in accordance with the Financial Reporting Standards in Malaysia.

The auditors' reports on the financial statements were not subject to any qualifications or modifications for all the financial years/periods under review.

The statement of comprehensive income for the four-month FPE 31 August 2009 is not audited.

## 10. FINANCIAL INFORMATION

Appendix

**BERJAYA FOOD BERHAD**  
**(Incorporated in Malaysia)****5.0 Pro forma consolidated statements of comprehensive income of BFood Group**

The pro forma consolidated statements of comprehensive income for the past five FYE 30 April 2006 to 30 April 2010, for FPE 31 August 2009 and FPE 31 August 2010, which have been prepared for illustrative purposes to show the aggregate results of BFood Group, are based on the Group's accounting policies and are prepared on the assumption that the current structure of BFood Group existed throughout the financial years/periods under review.

	← Pro forma →					FPE	FPE
	FYE 2006*	FYE 2007*	FYE 2008*	FYE 2009*	FYE 2010 <sup>@</sup>	1 May 2009 to 31 August 2009 <sup>^</sup>	1 May 2010 to 31 August 2010 <sup>@</sup>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	27,308	30,554	42,403	51,896	60,415	17,172	22,405
Cost of sales	(17,103)	(19,161)	(27,155)	(33,178)	(37,783)	(11,313)	(13,607)
<b>Gross profit</b>	<b>10,205</b>	<b>11,393</b>	<b>15,248</b>	<b>18,718</b>	<b>22,632</b>	<b>5,859</b>	<b>8,798</b>
Other income	2,931	3,052	5,714	10,640	7,474	2,260	2,469
Administrative expenses	(9,543)	(10,528)	(12,601)	(15,770)	(19,705)	(5,983)	(7,064)
<b>Profit from operations</b>	<b>3,593</b>	<b>3,917</b>	<b>8,361</b>	<b>13,588</b>	<b>10,401</b>	<b>2,136</b>	<b>4,203</b>
Finance costs	(50)	(71)	#	-	-	-	-
<b>Profit before tax</b>	<b>3,543</b>	<b>3,846</b>	<b>8,361</b>	<b>13,588</b>	<b>10,401</b>	<b>2,136</b>	<b>4,203</b>
Taxation	(1,639)	(774)	(1,672)	(974)	(1,721)	149	(939)
<b>Profit for the year/period</b>	<b>1,904</b>	<b>3,072</b>	<b>6,689</b>	<b>12,614</b>	<b>8,680</b>	<b>2,285</b>	<b>3,264</b>
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income for the year/period</b>	<b>1,904</b>	<b>3,072</b>	<b>6,689</b>	<b>12,614</b>	<b>8,680</b>	<b>2,285</b>	<b>3,264</b>

# denotes amount less than RM1,000

\* Derived by management based on audited financial statements of BRoasters

@ Derived by management based on audited financial statements of BRoasters and BFood

^ Derived by management based on unaudited management accounts of Broasters

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## 10. FINANCIAL INFORMATION

6.0 Pro forma consolidated statements of financial position of BFood Group

Appendix

	At 31 August 2010 RM'000	Adjustments for acquisition of BRoasters RM'000	BFood Group Pro forma I After acquisition of BRoasters RM'000	Adjustments for intercompany loan settlement and estimated listing expenses RM'000	BFood Group Pro forma II After Pro forma I Adjustments for intercompany loan settlement and estimated listing expenses RM'000	Adjustments for issuance and exercise of BFood ESOS RM'000	BFood Group Pro forma III After Pro forma II Adjustments for issuance and exercise of BFood ESOS RM'000
<b>ASSETS</b>							
Non-current Assets	-	-	18,372	-	18,372	-	18,372
Property, plant and equipment	-	-	966	-	966	-	966
Goodwill	-	-	19,358	-	19,358	-	19,358
Current Assets							
Inventories	-	2,024	2,024	-	2,024	-	2,024
Trade and other receivables	-	12,001	12,001	(6,824)	5,177	-	5,177
Tax recoverable	-	336	336	-	336	-	336
Cash and bank balances	-	20,131	20,131	6,116	26,247	3,794	30,041
	-	34,492	34,492	-	33,784	-	37,578
<b>TOTAL ASSETS</b>	-	-	53,860	-	53,142	-	56,936
<b>EQUITY AND LIABILITIES</b>							
Equity attributable to equity holders of the Company							
Share capital	-	-	-	-	-	-	-
Reserves							
Share premium	-	70,874	70,874	-	70,874	3,720	74,594
Merger deficit	-	1,413	1,413	(314)	1,099	669	1,768
(Accumulated losses)/retained earnings	(395)	(65,087)	(65,087)	-	(55,087)	(55,087)	(55,087)
	(395)	28,846	28,451	-	28,451	(595)	25,856
	(395)	(27,225)	(27,225)	-	(27,537)	-	(27,463)
<b>Total Equity</b>	(395)	43,451	43,056	-	43,137	-	46,931
Long Term Liabilities	-	-	-	-	-	-	-
Deferred tax liabilities	-	2,201	2,201	-	2,201	-	2,201
Provisions	-	966	966	-	966	-	966
	-	3,167	3,167	-	3,167	-	3,167
<b>Current Liabilities</b>							
Trade and other payables	395	7,066	7,066	(394)	6,694	-	6,694
Provisions	-	144	144	-	144	-	144
	395	7,232	7,232	-	6,838	-	6,838
<b>Total Liabilities</b>	395	10,399	10,399	-	10,005	-	10,005
<b>TOTAL EQUITY AND LIABILITIES</b>	-	-	53,860	-	53,142	-	56,936
Net (liabilities)/assets per share (RM)	(96,750)	0.31	0.31	-	0.31	-	0.32
Net tangible (liabilities)/assets per share (RM)	(96,750)	0.30	0.30	-	0.30	-	0.31

A Representing RM2

**10. FINANCIAL INFORMATION**

Appendix

**BERJAYA FOOD BERHAD**  
**(Incorporated in Malaysia)****6.1 Notes to the pro forma consolidated statements of financial position**

The pro forma consolidated statements of financial position have been prepared for illustrative purposes, based on the statement of financial position of BFood as at 31 August 2010 to show the effects of the following proposals as if the proposals have been completed on 31 August 2010.

At the date of incorporation, the authorised share capital of BFood was RM100,000 comprising 100,000 ordinary shares of RM1.00 each. At that date, the issued and paid-up share capital of BFood was RM2 comprising 2 ordinary shares of RM1.00 each.

On 28 October 2009, the authorised share capital of BFood was sub-divided into 200,000 ordinary shares of RM0.50 each. The authorised share capital was subsequently increased from RM100,000 to RM500,000,000 by the creation of an additional 999,800,000 ordinary shares of RM0.50 each.

**Pro forma I**

BFood acquired 17,000,000 ordinary shares of RM1.00 each representing 100% equity interest in BRoasters from BGroup for a total consideration of RM72,087,478 which was satisfied by the issuance of 141,347,996 new ordinary shares of RM0.50 each in BFood at an issue price of RM0.51 each.

The acquisition of BRoasters meets the criteria of business combinations involving entity under common control and accordingly merger accounting principles have been applied.

 **ERNST & YOUNG** (AF: 0039)Chartered Accountants, Kuala Lumpur  
For identification purposes only

**10. FINANCIAL INFORMATION**

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Appendix

**BERJAYA FOOD BERHAD  
(Incorporated in Malaysia)**

**6.1 Notes to the pro forma consolidated statements of financial position (cont'd.)**

**Pro forma II**

Pro forma II incorporates Pro forma I and repayment of the entire net amount due from BGroup amounting to RM6.4 million.

Pro forma II also includes the adjustments for the estimated listing expenses incurred or to be incurred for the purpose of the listing of BFood on the Main Market of Bursa Securities of approximately RM0.7 million.

**Pro forma III**

Pro forma III incorporates Pro forma II and assuming the issuance of 7,439,000 new BFood Shares, representing approximately 5% of the enlarged issued and paid-up share capital of BFood comprising 148,787,000 BFood Shares pursuant to the ESOS at an exercise price of RM0.51 each.

Pro forma III assumes all new BFood ESOS granted are vested and exercised as at 31 August 2010.

 **ERNST & YOUNG** (AF: 0039)  
Chartered Accountants, Kuala Lumpur  
For identification purposes only

## 10. FINANCIAL INFORMATION

Appendix

**BERJAYA FOOD BERHAD**  
(Incorporated in Malaysia)**7.0 Pro forma consolidated statement of cash flows of BFood Group**

The pro forma consolidated statement of cash flows of BFood Group for the FPE 31 August 2010, which has been prepared for illustrative purposes only, is based on the assumption that the current structure of BFood Group existed throughout the financial period under review.

	<b>Pro forma FPE 1 May 2010 to 31 August 2010 RM'000</b>
<b>Cash flows from operating activities</b>	
Receipts from customers and others	22,407
Payments to suppliers and others	(7,441)
Payments for operating expenses	(10,472)
Payments of tax	(648)
Net cash generated from operating activities	<u>3,846</u>
<b>Cash flows from investing activities</b>	
Proceeds from disposal of property, plant and equipment	1
Acquisition of property, plant and equipment	(297)
Interest received from related company	185
Interest received from others	40
Net cash used in investing activities	<u>(71)</u>
<b>Cash flows from financing activities</b>	
Advances from other payables	121
Advances to related company	(4,000)
Repayment received from related company	4,000
Net cash generated from financing activities	<u>121</u>
<b>Net change in cash and cash equivalents</b>	<b>3,896</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>16,235</b>
<b>Cash and cash equivalents at end of period</b>	<b><u>20,131</u></b>

Note:

The pro forma consolidated statement of cash flows of BFood Group for the FPE 31 August 2010, which has been prepared for illustrative purposes only, does not incorporate the adjustments for intercompany loan settlement, payment of estimated listing expenses and receipts of proceeds from the exercise of BFood ESOS.

11. ACCOUNTANTS' REPORT



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**ACCOUNTANTS' REPORT**  
**(Prepared for inclusion in the Prospectus dated 18 February 2011)**

The Board of Directors  
Berjaya Food Berhad  
Lot 13-01A, Level 13 (East Wing)  
Berjaya Times Square  
No. 1, Jalan Imbi  
55100 Kuala Lumpur  
Wilayah Persekutuan

31 January 2011

Dear Sirs,

**BERJAYA FOOD BERHAD ("BFOOD")**  
**ACCOUNTANTS' REPORT**

**1. Introduction**

This report has been prepared by Messrs Ernst & Young, an approved company auditor, exclusively for the inclusion in this Prospectus of Berjaya Food Berhad ("BFood") in connection with the listing of and quotation for the entire issued and paid-up share capital of BFood ("BFood Shares") on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and should not be relied upon for any other purposes.

**2. Abbreviations**

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

Acquisition

The acquisition by BFood of the entire issued and paid-up share capital of BRoasters representing 17,000,000 ordinary shares of RM1.00 each from Berjaya Group Berhad for a total consideration of RM72,087,478 which was satisfied via the issuance of 141,347,996 new BFood Shares at an issue price of RM0.51 each, credited as fully paid-up

## 11. ACCOUNTANTS' REPORT



## 2. Abbreviations (cont'd.)

BFood	Berjaya Food Berhad (876057-U)
BRoasters	Berjaya Roasters (M) Sdn. Bhd. (278605-A)
BCorporation	Berjaya Corporation Berhad (554790-X)
BCorporation Group	BCorporation, its subsidiaries and associated companies
BFood Group	BFood and its subsidiary, BRoasters
BGroup	Berjaya Group Berhad (7308-X)
BFood Share(s) or Share(s)	Ordinary share(s) of RM0.50 each in BFood
Bursa Securities	Bursa Malaysia Securities Berhad (635998-W)
ESOS	Employees' share option scheme for the grant of options to eligible directors and employees of the Group to subscribe for new Shares
FPE	Financial period(s) ended
FYE	Financial year(s) ended
Independent Franchisee(s)	Parties other than BRoasters who have entered into a sub-franchise agreement with RAPM for the operation of KRR restaurant(s) in Malaysia
KRR	Kenny Rogers Roasters
Listing	Admission to the Official List and the listing of and quotation for the Company's entire issued and paid-up share capital comprising 141,348,000 Shares on the Main Market of Bursa Securities
Listing Scheme	The Acquisition, Offer For Sale, Listing and ESOS, collectively
MDA	The master development agreement entered into on 1st January 2004 between BRoasters and RAPM, which supersedes the earlier franchise agreement entered into between both parties in 1994, for the operations of KRR restaurants in Malaysia together with any supplemental agreements, as amended from time to time
Offer For Sale or Offer	Offer for sale of 35,837,000 BFood Shares by the Offeror at the Offer Price, payable in full upon application
Offer Price	RM0.51 for each Offer Share, being the price payable by investors under the Offer For Sale
Offeror	BGroup, a substantial shareholder of BFood
RAPM	Roasters Asia Pacific (M) Sdn Bhd (Company No. 313763-T)
RM and sen	Ringgit Malaysia and sen respectively





### 3. General information

#### 3.1 Background

BFood was incorporated in Malaysia under the Companies Act, 1965 on 21 October 2009 as a private limited liability company.

In conjunction with and as an integral part of the application for the listing of BFood Shares on the Main Market of Bursa Securities as disclosed in Note 3.4, BFood was converted to a public company on 3 December 2009.

#### 3.2 Principal activities

BFood's principal activity is that of investment holding.

The principal activities of its subsidiary are as disclosed in Note 3.5.

#### 3.3 Listing Scheme

On 31 March 2010, the Board of Directors of BFood approved the listing of BFood on the Main Market of Bursa Securities. In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of BFood on the Main Market of Bursa Securities, BFood proposes to implement a listing scheme which involved/involves the following:

- (a) Acquisition of entire issued and paid-up share capital of BRoasters representing 17,000,000 ordinary shares of RM1.00 each by BFood from BGroup for a total consideration of RM72,087,478 which was satisfied via the issuance of 141,347,996 new Shares in BFood at an issue price of RM0.51 each, credited as fully paid-up. Pursuant to the Acquisition, a Sale and Purchase Agreement was entered into on 31 March 2010 between BFood as the purchaser and BGroup as the vendor.

The acquisition which had been undertaken by BFood as part of the Listing Scheme was completed on 19 January 2011.



### 3. General information (cont'd.)

#### 3.3 Listing Scheme (cont'd.)

- (b) Offer for Sale by BGroup of 35,837,000 ordinary shares of RM0.50 each in BFood at an Offer Price of RM0.51.
- (c) Issuance of 7,439,000 new BFood Shares, representing approximately 5% of the enlarged issued and paid-up share capital of BFood pursuant to the ESOS.
- (d) Upon completion of the Offer for Sale, BFood will seek the listing of and quotation for its entire enlarged issued and paid-up share capital of BFood Shares on the Main Market of Bursa Securities.

#### 3.4 Details of BFood's subsidiary are set out below:

Company	Place of incorporation	Issued and fully paid-up share capital RM'000	Effective equity interest	Principal activities
BRoasters	Malaysia	17,000	100%	Development and operation of "KRR" chain of restaurants in Malaysia

### 3.5 Share Capital

#### 3.5.1 Authorised Share Capital

Details of changes in the authorised share capital of BFood since incorporation are as follows:

Date	No. of ordinary shares	Par value RM	Total RM
21 October 2009 (date of incorporation)	100,000	1.00	100,000
28 October 2009	200,000*	0.50	100,000
28 October 2009	1,000,000,000**	0.50	500,000,000



### 3. General information (cont'd.)

#### 3.5 Share Capital (cont'd.)

##### 3.5.1 Authorised Share Capital (cont'd.)

Date	No. of ordinary shares	Par value RM	Total RM
14 January 2011	1,200,000,000***	0.50	600,000,000

\* The authorised share capital was sub-divided from RM1.00 per share to RM0.50 per share.

\*\* The authorised share capital increased to 1,000,000,000 with a further creation of 999,800,000 ordinary share of RM0.50 per share.

\*\*\* The authorised share capital increased to 1,200,000,000 with a further creation of 200,000,000 ordinary share of RM0.50 per share.

The increase in authorised share capital is to facilitate the proposed listing of BFood Shares on the Main Market of Bursa Securities as disclosed in Note 3.3.

##### 3.5.2 Issued and Paid-Up Share Capital

The issued and paid-up share capital of BFood as at 31 August 2010 are as follows:

	At 31 August 2010	
	No. of ordinary shares	Amount RM
<b>Issued and fully paid-up</b>		
At date of incorporation		
- 2 ordinary shares of RM1 each	2	2
Sub-divided during the FPE 30 April 2010 into		
4 ordinary shares of RM0.50 each	2	-
	<u>4</u>	<u>2</u>

Upon completion of the Acquisition as described in Note 3.3(a) on 19 January 2011, BFood increased its issued and paid-up share capital from RM2 to RM70,674,000 by way of issuance of 141,347,996 ordinary shares of RM0.50 each at an issue price of RM0.51 per ordinary share to satisfy the purchase consideration.



#### 4. Financial statements and auditors

The auditors of BFood and BRoasters for the FYE/FPE 30 April 2006, 30 April 2007, 30 April 2008, 30 April 2009 and 30 April 2010 and for the four months FPE 31 August 2010 are Ernst & Young, Malaysia.

For the purpose of this report, the audited financial statements and notes to the audited financial statements of BFood and BRoasters are presented individually for each of the five financial years and the latest financial period immediately preceding the last date of BFood's and BRoasters' financial statements.

The audited financial statements and notes to the audited financial statements of BFood and BRoasters are disclosed in Section 6 of this report.

We have audited, in accordance with Approved Standards on Auditing in Malaysia, the financial statements of BFood and BRoasters which comprise the statements of financial position, the statements of comprehensive income, the statements of changes in equity and the cash flow statements for the FYE/FPE 30 April 2006, 2007, 2008, 2009 and 2010 and for the four months FPE 31 August 2010 and our reports thereto were dated as follows:

<u>Entity</u>	<u>Audit report date</u>
<u>Berjaya Food Berhad</u>	
• First Financial Statements for period ended 30 April 2010	28 June 2010
• Financial Statements for period ended 31 August 2010	10 December 2010
<u>Berjaya Roasters (M) Sdn Bhd</u>	
• Financial Statements for year ended 30 April 2006	24 August 2006
• Financial Statements for year ended 30 April 2007	27 August 2007
• Financial Statements for year ended 30 April 2008	1 August 2008
• Financial Statements for year ended 30 April 2009	18 August 2009
• Financial Statements for year ended 30 April 2010	28 June 2010
• Financial Statements for period ended 31 August 2010	8 December 2010

In BFood's auditors' report, we expressed the opinion that the financial statements of BFood for its first FPE 30 April 2010 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of its financial position as at 30 April 2010 and of its financial performance and cash flows for its first FPE 30 April 2010.

In BRoasters' auditors' reports, we expressed the opinion that the financial statements of BRoasters for the FYE 30 April 2006 to 30 April 2010 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of its financial position as at 30 April 2006, 30 April 2007, 30 April 2008, 30 April 2009 and 30 April 2010 and of its financial performance and cash flows for the FYE 30 April 2006, 30 April 2007, 30 April 2008, 30 April 2009 and 30 April 2010.



#### 4. Financial statements and auditors (cont'd.)

In the auditors' reports for the FPE 31 August 2010, we also expressed the opinion that the respective individual financial statements of BFood and BRoasters for the FPE 31 August 2010 have been properly drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the individual financial position of BFood and BRoasters as at 31 August 2010 and of the individual financial performance and cash flows of BFood and BRoasters for the four-months FPE 31 August 2010.

The auditors' reports on the financial statements of BFood for the FPE 30 April 2010 and 31 August 2010 were not subject to any qualification.

The auditors' reports on the financial statements of BRoasters for the respective FYE 30 April 2006 to 30 April 2010 were not subject to any qualification.

Our auditors' report for BRoasters in respect to the audit of the four-months FPE 31 August 2010 contained an emphasis of matter which stated that the comparative figures for the statement of comprehensive income, cash flow statement and statement of changes in equity and the notes thereto are unaudited.

The financial statements for the four-months FPE 31 August 2010 have been prepared to be used solely for the preparation of the Accountants' Report to be included in the prospectus to be issued in connection with the listing and quotation of BFood on the Main Market of the Bursa Securities.

BFood was incorporated on 21 October 2009 and hence no historical financial statements prior to this date is available.

#### 5. Dividends

BFood has not paid or declared any dividends since its incorporation. BFood does not recommend the payment of any dividend in respect of the FPE 31 August 2010.

BRoasters has not paid or declared any dividends since its incorporation except for the FYE 30 April 2009. On 15 July 2009, BRoasters paid its first interim dividend of 4.08% per share less tax of 25% of RM520,200 in respect of FYE 30 April 2009. This represents net dividend per share of 3.06 sen.

BRoasters does not recommend the payment of any dividend in respect of the FPE 31 August 2010.



## 6. Historical financial information

### 6.1 Berjaya Food Berhad

#### Audited statement of financial position

	Note	30 April 2010 RM	31 August 2010 RM
<b>EQUITY AND LIABILITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	6.1.3	2	2
Accumulated losses		(346,094)	(394,634)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>		<u>(346,092)</u>	<u>(394,632)</u>
<b>LIABILITY</b>			
<b>Current liability</b>			
Sundry payables	6.1.4	346,092	394,632
<b>TOTAL LIABILITY</b>		<u>346,092</u>	<u>394,632</u>
<b>TOTAL EQUITY AND LIABILITY</b>		<u>-</u>	<u>-</u>

#### Audited statement of comprehensive income

	Note	21 October 2009 (Date of incorporation) to 30 April 2010 RM	1 May 2010 to 31 August 2010 RM
Administrative expenses, representing loss for the period	6.1.5	(346,094)	(48,540)
Other comprehensive items		-	-
<b>Total comprehensive loss for the period</b>		<u>(346,094)</u>	<u>(48,540)</u>

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## 6.1 Berjaya Food Berhad (cont'd.)

## Audited statement of changes in equity

	Share capital RM	Accumulated losses RM	Total RM
At date of incorporation, 21 October 2009	2	-	2
Total comprehensive loss for the period	-	(346,094)	(346,094)
At 30 April 2010/1 May 2010	2	(346,094)	(346,092)
Total comprehensive loss for the period	-	(48,540)	(48,540)
At 31 August 2010	2	(394,634)	(394,632)

## Audited statement of cash flows

	21 October 2009 (Date of incorporation) to 30 April 2010 RM	1 May 2010 to 31 August 2010 RM
<b>Cash flows from operating activity</b>		
Payment for administration expenses, representing net cash flow used in operating activity	(224,519)	(120,515)
<b>Cash flows from financing activities</b>		
Issuance of share capital	2	-
Advances from other payables	224,517	120,515
Net cash generated from financing activities	224,519	120,515
<b>Net change in cash and cash equivalents</b>	-	-
<b>Cash and cash equivalents at beginning of the period/ date of incorporation</b>	-	-
<b>Cash and cash equivalents at end of the period</b>	-	-



## 6. Historical financial information (cont'd.)

### 6.1 Berjaya Food Berhad (cont'd.)

#### 6.1.1 Corporate information

BFood was incorporated under the Companies Act, 1965 in Malaysia as a private limited liability company on 21 October 2009. It was converted to a public limited liability company on 3 December 2009. The principal activity of BFood is that of investment holding. BFood has not commenced operations since its incorporation.

BFood is domiciled in Malaysia with its registered office located at Lot 13-01A, Level 13 (East Wing), Berjaya Times Square, No.1 Jalan Imbi, 55100 Kuala Lumpur.

#### 6.1.2 Significant accounting policies

##### **Basis of preparation**

The financial statements of BFood have been prepared under the historical cost convention and comply with Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia.

In anticipation of a successful Listing Scheme, BFood is expected to be able to operate as a going concern.

The financial statements for the four-month period ended 31 August 2010 have been prepared to be used solely for the preparation of the Accountants' Report to be included in the prospectus to be issued in connection with the listing and quotation of BFood on the Main Market of the Bursa Securities.

##### **Summary of significant accounting policies**

###### **(a) Functional and presentation currency**

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





## 6. Historical financial information (cont'd.)

### 6.1 Berjaya Food Berhad (cont'd.)

#### 6.1.2 Significant accounting policies (cont'd.)

##### Summary of significant accounting policies (cont'd.)

##### (b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, BFood becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### (i) Financial liabilities at fair value through profit or loss

BFood has not designated any financial liabilities at fair value through profit or loss.

##### (ii) Other financial liabilities

BFood's other financial liabilities include other payables which are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.



## 6. Historical financial information (cont'd.)

### 6.1 Berjaya Food Berhad (cont'd.)

#### 6.1.2 Significant accounting policies (cont'd.)

##### Summary of significant accounting policies (cont'd.)

##### (b) Financial liabilities (cont'd.)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

##### (c) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved for payment.

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

##### (d) Provisions

Provisions are recognised when BFood 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 reporting 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 pre-tax discount rate that reflects, where appropriate the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.



## 6. Historical financial information (cont'd.)

### 6.1 Berjaya Food Berhad (cont'd.)

#### 6.1.2 Significant accounting policies (cont'd.)

##### 6.1.2.1 Changes in accounting policies and effects arising from adoption of new FRSs, Interpretations and Amendments to FRSs

At the beginning of financial periods ended 30 April 2010 and 31 August 2010, BFood had adopted new and revised FRSs, Interpretations and Amendments to FRSs which are mandatory for financial periods beginning on or after 1 January 2010, and 1 March 2010. Most of these new and revised FRSs which are mandatory for companies with financial periods beginning on or after those respective dates are not relevant to BFood. Those FRSs, Interpretations and Amendments to FRSs that are relevant do not give rise to any significant effects on the financial statements of BFood upon their initial application.

##### 6.1.2.2 FRSs, Interpretations and Amendments to FRSs issued but not yet effective and not early adopted

The financial statements of BFood have not early adopted the revised FRSs, Interpretations and Amendments to FRSs issued and effective for financial periods beginning on or after 1 July 2010, 1 January 2011 and 1 January 2012.

Most of these standards are not relevant to BFood and the application of those that are relevant do not give rise to any significant effects on the financial statements of BFood upon their initial application.



## 6. Historical financial information (cont'd.)

## 6.1.3 Share capital

Ordinary shares of RM0.50 each	Number of shares		Share capital	
	30 April 2010	31 August 2010	30 April 2010 RM	31 August 2010 RM
<b>Authorised</b>				
At 1 May, at RM0.50 each/ Date of incorporation, at RM1.00 each	100,000	1,000,000,000	100,000	500,000,000
Sub-division of authorised share capital to RM0.50 each	100,000	-	-	-
Created during the financial period, at RM0.50 each	999,800,000	-	499,900,000	-
At 30 April /31 August	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
<b>Issued and fully paid-up</b>				
At 1 May, at RM0.50 each/ Date of incorporation, at RM1.00 each	2	4	2	2
Sub-division of issued share capital to RM0.50 each	2	-	-	-
At 30 April /31 August	<u>4</u>	<u>4</u>	<u>2</u>	<u>2</u>



## 6. Historical financial information (cont'd.)

### 6.1.4 Sundry payables

	30 April 2010 RM	31 August 2010 RM
Other payable	224,517	345,032
Accruals	121,575	49,600
	<u>346,092</u>	<u>394,632</u>

### 6.1.5 Loss for the period

Loss for the period is stated after charging:

	21 October 2009 (Date of incorporation) to 30 April 2010 RM	1 May 2010 to 31 August 2010 RM
Auditors' remuneration - current period	1,200	400
	<u>1,200</u>	<u>400</u>

### 6.1.6 Key management personnel

The key management personnel are the directors of BFood. The key management personnel do not receive any remuneration from BFood.

### 6.1.7 Financial instruments

#### (a) Financial risk management objectives and policies

BFood's financial risk management policy seeks to ensure that adequate financial resources are available for the development of BFood's business whilst managing its liquidity risks. BFood operates within clearly defined guidelines and BFood's policy is not to engage in speculative transactions.



## 6. Historical financial information (cont'd.)

### 6.1.7 Financial instruments (cont'd.)

#### (b) Liquidity risk

In anticipation of a successful Listing Scheme, BFood is expected to be able to meet its obligation with regards to its liabilities existed at the end of the financial periods when they fall due.

#### (c) Fair value

The carrying amount of payables approximate their fair value due to the relatively short term maturity of these financial instruments.

### 6.1.8 Comparative figures

There are no comparative figures for the statement of comprehensive income and the related notes to financial statements for the comparable four-months period ended 31 August 2009 as BFood was only incorporated on 21 October 2009.

### 6.1.9 Audited financial statements

No audited financial statements have been prepared in respect of any period subsequent to 31 August 2010 for BFood.

### 6.1.10 Significant events occurring after the reporting date

On 14 January 2011, BFood increased its authorised share capital from RM500,000,000 to RM600,000,000 by way of creation of 200,000,000 ordinary shares of RM0.50 per share.

Upon completion of the Acquisition as described in Note 3.3(a) on 19 January 2011, BFood increased its issued and paid-up share capital from RM2 to RM70,674,000 by way of issuance of 141,347,996 ordinary shares of RM0.50 each at an issue price of RM0.51 per ordinary share to satisfy the purchase consideration.

The Listing Scheme had obtained all relevant approvals from the respective authority and the shareholders of BCorporation. The approval of the Securities Commission of Malaysia on the Listing Scheme was obtained on 21 December 2010. BFood is expected to be listed on Bursa Securities by early March 2011.

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## 6.2 Berjaya Roasters (M) Sdn. Bhd.

## Audited statements of financial position

	Note	As at 30 April					As at
		2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	31 August 2010 RM'000
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	6.2.3	7,433	8,758	14,159	17,964	19,601	18,372
Goodwill	6.2.4	-	-	-	-	986	986
		<u>7,433</u>	<u>8,758</u>	<u>14,159</u>	<u>17,964</u>	<u>20,587</u>	<u>19,358</u>
<b>Current assets</b>							
Inventories	6.2.6	710	853	1,508	1,857	2,048	2,024
Trade and other receivables	6.2.7	2,058	2,621	4,937	4,159	4,386	5,157
Due from other related companies	6.2.8	1,195	1,034	6,476	2,116	87	20
Due from holding company	6.2.8	-	-	-	4,980	6,646	6,824
Tax recoverable		-	-	-	-	-	336
Cash and bank balances	6.2.9	2,718	5,175	1,372	10,775	16,235	20,131
		<u>6,681</u>	<u>9,683</u>	<u>14,293</u>	<u>23,887</u>	<u>29,402</u>	<u>34,492</u>
<b>TOTAL ASSETS</b>		<u>14,114</u>	<u>18,441</u>	<u>28,452</u>	<u>41,851</u>	<u>49,989</u>	<u>53,850</u>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity attributable to equity holder of the Company</b>							
Share capital	6.2.10	17,000	17,000	17,000	17,000	17,000	17,000
(Accumulated losses)/ retained earnings	6.2.11	(7,348)	(4,276)	2,413	14,507	23,533	26,846
<b>Total equity</b>		<u>9,652</u>	<u>12,724</u>	<u>19,413</u>	<u>31,507</u>	<u>40,533</u>	<u>43,846</u>
<b>Liabilities</b>							
<b>Non-current liabilities</b>							
Hire purchase payables	6.2.12	112	-	-	-	-	-
Deferred tax liabilities	6.2.5	202	384	885	777	871	2,201
Provision for restoration costs	6.2.13	-	179	548	782	966	966
		<u>314</u>	<u>563</u>	<u>1,433</u>	<u>1,559</u>	<u>1,837</u>	<u>3,167</u>

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## 6.2 Berjaya Roasters (M) Sdn. Bhd.

## Audited statements of financial position (Contd.)

	Note	← As at 30 April →					As at
		2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	31 August 2010 RM'000
<b>Current liabilities</b>							
Hire purchase payables	6.2.12	149	-	-	-	-	-
Trade and other payables	6.2.14	3,372	4,672	6,767	7,814	6,772	6,693
Provision for restoration costs	6.2.13	-	115	127	156	144	144
Tax payable		-	329	538	275	703	-
Dividend payable		-	-	-	520	-	-
Due to holding company	6.2.8	29	-	151	-	-	-
Due to other related companies	6.2.8	598	38	23	20	-	-
		<u>4,148</u>	<u>5,154</u>	<u>7,606</u>	<u>8,785</u>	<u>7,619</u>	<u>6,837</u>
<b>Total liabilities</b>		<u>4,462</u>	<u>5,717</u>	<u>9,039</u>	<u>10,344</u>	<u>9,456</u>	<u>10,004</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>14,114</u>	<u>18,441</u>	<u>28,452</u>	<u>41,851</u>	<u>49,989</u>	<u>53,850</u>



## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## 6.2 Berjaya Roasters (M) Sdn. Bhd.

## Statements of comprehensive income

		Audited					Unaudited	Audited
		FYE 30 April					FPE	FPE
							1 May 2009	1 May
							to	2010 to
							31 Aug	31 Aug
		2006	2007	2008	2009	2010	2009	2010
Note		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	6.2.15	27,308	30,554	42,403	51,896	60,415	17,172	22,405
Cost of sales	6.2.16	(17,103)	(19,161)	(27,155)	(33,178)	(37,783)	(11,313)	(13,607)
<b>Gross profit</b>		<b>10,205</b>	<b>11,393</b>	<b>15,248</b>	<b>18,718</b>	<b>22,632</b>	<b>5,859</b>	<b>8,798</b>
Other income		2,931	3,052	5,714	10,640	7,474	2,260	2,469
Administrative expenses		(9,543)	(10,528)	(12,601)	(15,770)	(19,359)	(5,983)	(7,015)
<b>Profit from operations</b>	6.2.17	<b>3,593</b>	<b>3,917</b>	<b>8,361</b>	<b>13,588</b>	<b>10,747</b>	<b>2,136</b>	<b>4,252</b>
Finance costs	6.2.20	(50)	(71)	#	-	-	-	-
<b>Profit before tax</b>		<b>3,543</b>	<b>3,846</b>	<b>8,361</b>	<b>13,588</b>	<b>10,747</b>	<b>2,136</b>	<b>4,252</b>
Taxation	6.2.21	(1,639)	(774)	(1,672)	(974)	(1,721)	149	(939)
<b>Profit for the year/period</b>		<b>1,904</b>	<b>3,072</b>	<b>6,689</b>	<b>12,614</b>	<b>9,026</b>	<b>2,285</b>	<b>3,313</b>
Other comprehensive income		-	-	-	-	-	-	-
<b>Total comprehensive income for the year/period</b>		<b>1,904</b>	<b>3,072</b>	<b>6,689</b>	<b>12,614</b>	<b>9,026</b>	<b>2,285</b>	<b>3,313</b>

# denotes amount less than RM1,000



## 6. Historical financial information (cont'd.)

## 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

## Audited statements of changes in equity

	Note	Share capital RM'000	(Accumulated losses)/ Retained earnings RM'000	Total RM'000
At 1 May 2005		17,000	(9,252)	7,748
Total comprehensive income for the year		-	1,904	1,904
At 30 April 2006/1 May 2006		17,000	(7,348)	9,652
Total comprehensive income for the year		-	3,072	3,072
At 30 April 2007/1 May 2007		17,000	(4,276)	12,724
Total comprehensive income for the year		-	6,689	6,689
At 30 April 2008/1 May 2008		17,000	2,413	19,413
Total comprehensive income for the year		-	12,614	12,614
Transaction with owner being dividend on ordinary shares	6.2.22	-	(520)	(520)
At 30 April 2009/1 May 2009		17,000	14,507	31,507
Total comprehensive income for the year		-	9,026	9,026
At 30 April 2010/1 May 2010		17,000	23,533	40,533
Total comprehensive income for the period		-	3,313	3,313
At 31 August 2010		17,000	26,846	43,846

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## 6.2 Berjaya Roasters (M) Sdn. Bhd (cont'd.)

## Audited statements of cash flows

	← FYE 30 April →					FPE 1 May 2010 to 31 Aug 2010
	2006	2007	2008	2009	2010	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>						
Receipts from customers and others	27,512	33,037	42,953	57,468	68,541	22,407
Payments to suppliers and others	(7,743)	(7,576)	(11,616)	(14,905)	(16,361)	(7,441)
Payments for operating expenses	(15,415)	(19,158)	(21,864)	(30,030)	(38,039)	(10,351)
Payments of tax	-	(263)	(849)	(1,345)	(1,199)	(648)
Net cash generated from operating activities	4,354	6,040	8,624	11,188	12,942	3,967
<b>Cash flows from investing activities</b>						
Proceeds from disposal of property, plant and equipment	46	48	6	6,995	14	1
Acquisition of property, plant and equipment	(2,782)	(2,878)	(7,468)	(9,432)	(4,435)	(297)
Acquisition of business operations	-	-	-	-	(2,680)	-
Interest received	-	7	35	5	42	40
Interest received from related company	-	-	-	-	97	185
Net cash used in investing activities	(2,736)	(2,823)	(7,427)	(2,432)	(6,962)	(71)
<b>Cash flows from financing activities</b>						
Advance to other related companies	-	-	(5,000)	(1,690)	-	(4,000)
Advance to holding company	-	-	-	(4,800)	-	-
Repayment received from related companies	-	-	-	5,037	-	4,000
Repayment received from holding company	-	-	-	2,100	-	-
Payment of hire purchase liabilities	(149)	(261)	-	-	-	-
Net repayment to other related companies	(679)	(428)	-	-	-	-
Interest paid	(50)	(71)	#	-	-	-
Dividends paid	-	-	-	-	(520)	-
Net cash (used in)/ generated from financing activities	(878)	(760)	(5,000)	647	(520)	-

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## 6.2 Berjaya Roasters (M) Sdn. Bhd (cont'd.)

## Audited statements of cash flows (Contd.)

	← FYE 30 April →					FPE 1 May 2010 to 31 Aug 2010
	2006	2007	2008	2009	2010	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net change in cash and cash equivalents	740	2,457	(3,803)	9,403	5,460	3,896
Cash and cash equivalents at beginning of the year/period	<u>1,978</u>	<u>2,718</u>	<u>5,175</u>	<u>1,372</u>	<u>10,775</u>	<u>16,235</u>
Cash and cash equivalents at end of the year/period (Note 6.2.9)	<u>2,718</u>	<u>5,175</u>	<u>1,372</u>	<u>10,775</u>	<u>16,235</u>	<u>20,131</u>

# denotes amount less than RM1,000

The above cash flow statements presented cash flows from operating activities using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements

##### 6.2.1 Corporate information

BRoasters is principally engaged in the development and operation of the "KRR" chain of restaurants through non-exclusive franchising rights agreement entered into with RAPM on 1st January 2004. As at 19 January 2011, there are 13 Independent Franchisees-owned KRR restaurants in Malaysia.

In February 2008, BRoasters and RAPM entered into a supplemental agreement to the MDA pursuant to which the parties agreed that BRoasters' franchise right under the MDA shall henceforth continue on an exclusive basis with the right to grant franchises to third parties in Malaysia. RAPM's right to grant further franchises to third parties in Malaysia accordingly ceased. With this, BRoasters' became the sole franchisee of RAPM in respect of all the KRR chain of restaurants in Malaysia, save for the abovementioned 13 Independent Franchisee-owned restaurants.

There has been no significant change in the nature of these activities during the respective financial years and financial period.

BRoasters is a private limited liability company, incorporated and domiciled in Malaysia. The principal place of business of BRoasters is located at Lot 9-16, 9th Floor, East Wing, Berjaya Times Square, No.1, Jalan Imbi, 55100 Kuala Lumpur.

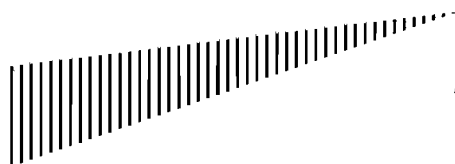
The immediate holding company of BRoasters is BFood and the ultimate holding company is BCorporation, both of which are incorporated in Malaysia.

##### 6.2.2 Significant accounting policies

###### Basis of preparation

The financial statements of BRoasters have been prepared under the historical cost convention and comply with FRSs and the Companies Act, 1965 in Malaysia.

The financial statements for the four-months period ended 31 August 2010 have been prepared to be used solely for the preparation of the Accountants' Report to be included in the prospectus to be issued in connection with the listing and quotation of BFood on the Main Market of the Bursa Securities.



**6. Historical financial information (cont'd.)**

**6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)**

**Notes to the audited financial statements (cont'd.)**

**6.2.2 Significant accounting policies**

**Summary of significant accounting policies**

**(a) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably.

Revenue relating to sale of food and beverage is recognised net of sales taxes and discounts when the transfer of risks and rewards has been completed.

Revenue relating to royalty income is recognised on an accrual basis in accordance with the terms of the franchise agreement between RAPM and its respective franchisees.

Revenue relating to franchise fees, which relates to the reservation of restaurant sites and which is non-refundable and payable upon signing of the franchise agreement/master development agreement relating to the development of the restaurant businesses, is recognised as other income upon signing. The remaining portion of the franchise fee income is deferred until the completion of the franchisee's obligation under the agreement.

**(b) 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 them will flow to BRoasters 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.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

#### 6.2.2 Significant accounting policies (cont'd.)

##### Summary of significant accounting policies (cont'd.)

##### (b) Property, plant and equipment and depreciation (cont'd.)

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses in accordance with Note 6.2.2(i).

Building-in-progress is not depreciated. Depreciation of other property, plant and equipment are provided on a straight-line basis calculated to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Buildings	2%
Office equipment, smallwares and motor vehicles	20%
Computers	20%
Plant, machinery, kitchen equipment, furniture and fittings	10%
Renovation and restoration	Based on lease term

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.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

##### 6.2.2 Significant accounting policies (cont'd.)

###### Summary of significant accounting policies (cont'd.)

###### (c) Goodwill

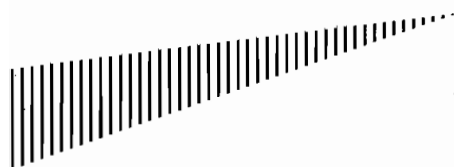
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the BRoasters' interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised but instead, tested for impairment either individually or at the cash generating unit level. The indefinite useful life of the goodwill is reviewed periodically to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

###### (d) Foreign currencies

###### (i) Functional and presentation currency

The financial statements of BRoasters are measured using the currency of the primary economic environment in which BRoasters operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also BRoasters' functional currency.





## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

#### 6.2.2 Significant accounting policies (cont'd.)

##### Summary of significant accounting policies (cont'd.)

##### (d) Foreign currencies (Contd.)

##### (ii) Foreign currency transactions

In preparing the financial statements, transactions in foreign currencies other than BRoasters' functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting 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 denominated. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

##### (e) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, BRoasters becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

BRoasters determined the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

#### 6.2.2 Significant accounting policies (cont'd.)

##### Summary of significant accounting policies (cont'd.)

##### (e) Financial assets (Contd.)

##### (i) Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that BRoasters commits to purchase or sell the asset.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

##### 6.2.2 Significant accounting policies (cont'd.)

###### Summary of significant accounting policies (cont'd.)

###### (f) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, BRoasters becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

###### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by BRoasters that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

BRoasters has not designated any financial liabilities at fair value through profit or loss.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

##### 6.2.2 Significant accounting policies (cont'd.)

###### Summary of significant accounting policies (cont'd.)

###### (f) Financial liabilities (cont'd.)

###### (ii) Other financial liabilities

BRoasters' other financial liabilities include trade and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless BRoasters has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.



**6. Historical financial information (cont'd.)**

**6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)**

**Notes to the audited financial statements (cont'd.)**

**6.2.2 Significant accounting policies (cont'd.)**

**Summary of significant accounting policies (cont'd.)**

**(g) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, cash funds managed by a fund management related company and a licensed financial institution and deposit at call, which have an insignificant risk of changes in value.

**(h) Equity instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved for payment.

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

**(i) Impairment of non-financial assets**

The carrying amounts of BRoasters' assets, other than inventories, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

##### 6.2.2 Significant accounting policies (cont'd.)

###### Summary of significant accounting policies (cont'd.)

###### (i) Impairment of non-financial assets (cont'd.)

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting 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 BRoasters' CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of BRoasters 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 ("VIU"). In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment 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.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

##### 6.2.2 Significant accounting policies (cont'd.)

###### Summary of significant accounting policies (cont'd.)

###### (i) Impairment of non-financial assets (cont'd.)

An impairment loss is recognised in income statement 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 fair value reserve for the same asset.

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

###### (j) Impairment of financial assets

BRoasters assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

#### 6.2.2 Significant accounting policies (cont'd.)

##### Summary of significant accounting policies (cont'd.)

##### (j) Impairment of financial assets (cont'd.)

##### (i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, BRoasters considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include BRoasters' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.





## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

#### 6.2.2 Significant accounting policies (cont'd.)

##### Summary of significant accounting policies (cont'd.)

##### (j) Impairment of Financial Assets (cont'd.)

##### (i) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

##### (k) Inventories

Inventories are stated at the lower of cost and the net realisable value. Cost is determined on a first-in, first-out basis. Cost represents cost of food, beverages and materials purchased plus incidental expenses. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

##### (l) Income tax

##### (i) Current tax

Tax on profit or loss for the year comprises current and deferred tax. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of the previous period.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

##### 6.2.2 Significant accounting policies (cont'd.)

###### Summary of significant accounting policies (cont'd.)

###### (I) Income tax (cont'd.)

###### (ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of assets or liabilities that at the time of transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

###### (iii) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred in a purchase of assets or services is not recoverable from taxation authority, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables that are stated with the amount of sales tax.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

#### 6.2.2 Significant accounting policies (cont'd.)

##### Summary of significant accounting policies (cont'd.)

##### (l) Income tax (cont'd.)

##### (iii) Sales tax (cont'd.)

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

##### (m) Lease

##### (i) As lessee

Finance leases, which transfer to BRoasters substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that BRoasters will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

##### 6.2.2 Significant accounting policies (cont'd.)

###### Summary of significant accounting policies (cont'd.)

###### (m) Lease (cont'd.)

###### (i) As lessee (cont'd.)

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. 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.

###### (n) Provisions

Provisions are recognised when BRoasters 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 reporting 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 pre-tax discount rate that reflects, where appropriate the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provisions for restoration costs are estimated costs of dismantling, removing or restoring the property, plant and equipment at the lease inception date for operating leases with requirements to remove leasehold improvements at the end of the lease term.



**6. Historical financial information (cont'd.)**

**6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)**

**Notes to the audited financial statements (cont'd.)**

**6.2.2 Significant accounting policies (cont'd.)**

**Summary of significant accounting policies (cont'd.)**

**(o) 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 of BRoasters. Short term accumulating compensated absences such as paid annual leave are recognised when service 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 BRoasters 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 income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

#### 6.2.2 Significant accounting policies (cont'd.)

##### 6.2.2.1 Changes in accounting policies and effects arising from adoption of new FRSs, Interpretations and Amendments to FRSs

At the beginning of FYE 30 April 2007, 30 April 2008, 30 April 2009, 30 April 2010 and the FPE 31 August 2010, BRoasters had adopted new and revised FRSs, Interpretations and Amendments to FRSs which are mandatory for financial periods beginning on or after 1 January 2006, 1 October 2006, 1 January 2007, 1 July 2007, 1 July 2009, 1 January 2010, and 1 March 2010. Most of these new and revised FRSs which are mandatory for companies with financial periods beginning on or after those respective dates are not relevant to BRoasters. Those FRSs, Interpretations and Amendments to FRSs that are relevant do not give rise to any significant effects on the financial statements of BRoasters upon their initial application. Those FRSs that give rise to effects on BRoasters' financial statements are as described in Note 6.2.2.4.

##### FRS 101 : Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the statement of changes in equity will now only include details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income.

The standard also introduces the statement of comprehensive income; presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. BRoasters has elected to present in one single statement.



**6. Historical financial information (cont'd.)**

**6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)**

**Notes to the audited financial statements (cont'd.)**

**6.2.2 Significant accounting policies (cont'd.)**

**6.2.2.1 Changes in accounting policies and effects arising from adoption of new FRSs, Interpretations and Amendments to FRSs (cont'd.)**

FRS 101 : Presentation of Financial Statements (revised) (cont'd.)

In addition, the adoption of the standard has resulted in the balance sheet now being renamed as statement of financial position.

There is no impact on the results of BRoasters since these changes affect only the presentation of items of income and expense.

FRS 139 : Financial Instruments: Recognition and Measurement

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items.

The adoption of FRS 139 does not have any significant impact to the financial statements of BRoasters.

FRS 7 : Financial Instruments: Disclosures

Prior to 1 May 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

**11. ACCOUNTANTS' REPORT****6. Historical financial information (cont'd.)****6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)****Notes to the audited financial statements (cont'd.)****6.2.2 Significant accounting policies (cont'd.)****6.2.2.1 Changes in accounting policies and effects arising from adoption of new FRSs, Interpretations and Amendments to FRSs (cont'd.)**FRS 7 : Financial Instruments: Disclosures (cont'd.)

BRoasters has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the BRoasters' financial statements for the FPE 31 August 2010.

**6.2.2.2 FRSs, Interpretations and Amendments to FRSs issued but not yet effective and not early adopted**

As at the FPE 31 August 2010, the following new and revised FRSs, Interpretations and Amendments to FRSs were issued but not yet effective and have not been applied by BRoasters.

**Effective for financial periods beginning on or after 1 July 2010:**

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation





## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

#### 6.2.2 Significant accounting policies (cont'd.)

#### 6.2.2.2 FRSs, Interpretations and Amendments to FRSs issued but not yet effective and not early adopted (cont'd.)

##### Effective for financial periods beginning on or after 1 July 2010 (cont'd.):

IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

##### Effective for financial periods beginning on or after 1 January 2011:

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 1	Improvements to FRSs (2010)
Amendments to FRS 3	Improvements to FRSs (2010)
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 7	Improvements to FRSs (2010)
Amendments to FRS 101	Improvements to FRSs (2010)
Amendments to FRS 121	Improvements to FRSs (2010)
Amendments to FRS 128	Improvements to FRSs (2010)
Amendments to FRS 131	Improvements to FRSs (2010)
Amendments to FRS 132	Improvements to FRSs (2010)
Amendments to FRS 134	Improvements to FRSs (2010)
Amendments to FRS 139	Improvements to FRSs (2010)
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions



**6. Historical financial information (cont'd.)**

**6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)**

**Notes to the audited financial statements (cont'd.)**

**6.2.2 Significant accounting policies (cont'd.)**

**6.2.2.2 FRSs, Interpretations and Amendments to FRSs issued but not yet effective and not early adopted (cont'd.)**

**Effective for financial periods beginning on or after 1 January 2012:**

Amendments to FRS 124    Related Party Disclosures

The new FRSs, Amendments to FRSs and Interpretations above are expected to have no significant impact on the financial statements of BRoasters upon their initial application.

**6.2.2.3 Significant Accounting Estimates and Judgements**

**(a) Critical judgements made in applying accounting policies**

The following are the judgements made by the management in the process of applying BRoasters's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.2 Significant accounting policies (cont'd.)

## 6.2.2.3 Significant Accounting Estimates and Judgements (cont'd.)

## (a) Critical judgements made in applying accounting policies (cont'd.)

## (i) Recognition of service income

Service charge is charged on the basis of a certain percentage of the revenue relating to food and beverage for in-house dining. A certain percentage of the amount is recognised in other income by BRoasters as it relates to additional income received for services rendered to the customers. The remainder is to be distributed to the employees. The amount of service charge recognised as other income for the respective financial years/period are as follows:

For the FYE/FPE:	RM'000
30 April 2006	2,075
30 April 2007	1,894
30 April 2008	4,025
30 April 2009	3,913
30 April 2010	5,313
31 August 2009	1,563
31 August 2010	<u>1,829</u>

## (b) Key sources of estimation uncertainty

## (i) Provision for restoration costs

BRoasters leases retail stores under operating leases. BRoasters provides for an estimate of restoration costs expense at the lease inception date for operating leases with requirements to remove leasehold improvements at the end of the lease term.



## 6. Historical financial information (cont'd.)

### 6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)

#### Notes to the audited financial statements (cont'd.)

##### 6.2.2.3 Significant accounting estimates and judgements (cont'd.)

###### (b) Key sources of estimation uncertainty (cont'd.)

###### (i) Provision for restoration costs (cont'd.)

Estimating restoration costs involves subjective assumptions regarding both the amount and timing of actual future restoration costs. Future actual costs could differ significantly from amounts initially estimated.

###### (ii) Goodwill

BRoasters determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the VIU of the CGU to which goodwill is allocated. Estimating a VIU amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of goodwill are disclosed in Note 6.2.4.

###### (iii) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. BRoasters recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters are different from the amounts initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 6.2.21.



**6. Historical financial information (cont'd.)**

**6.2 Berjaya Roasters (M) Sdn. Bhd. (cont'd.)**

**Notes to the audited financial statements (cont'd.)**

**6.2.2.4 Changes in estimates**

The adoption of the revised FRS 116 : Property, Plant and Equipment in the FYE 30 April 2007, requires the review of the residual values and remaining useful life of an item of property, plant and equipment at least at each financial year end. BRoasters revised the remaining useful life of its renovation cost with effect from 1 May 2006. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charge of BRoasters for the FYE 30 April 2007 had increased by RM287,000.

Had the revisions been accounted for in the FYE 30 April 2006, the depreciation charge of BRoasters would have increased by RM68,000.

## 11. ACCOUNTANTS' REPORT

## 6. Historical financial information (cont'd.)

## 6.2.3 Property, plant and equipment

	Office equipment, furniture, fittings and motor vehicles RM'000	Computers RM'000	Plant, machinery kitchen equipment and smallwares RM'000	Renovation RM'000	Building-in- progress RM'000	Total RM'000
<b>At 30 April 2006</b>						
<b>Cost</b>						
At 1 May 2005	2,059	314	6,278	5,052	2,389	16,092
Additions	838	72	766	1,106	-	2,782
Disposals	(213)	-	(352)	-	-	(565)
Write-offs	(262)	-	(970)	(2,394)	-	(3,626)
At 30 April 2006	2,422	386	5,722	3,764	2,389	14,683
<b>Accumulated depreciation</b>						
At 1 May 2005	1,517	233	4,344	3,335	-	9,429
Charge for the year	182	31	505	370	-	1,088
Disposals	(150)	-	(317)	-	-	(467)
Write-offs	(231)	-	(653)	(1,916)	-	(2,800)
At 30 April 2006	1,318	264	3,879	1,789	-	7,250
<b>Net carrying amount</b>						
At 30 April 2006	1,104	122	1,843	1,975	2,389	7,433

## 11. ACCOUNTANTS' REPORT

## 6. Historical financial information (cont'd.)

## 6.2.3 Property, plant and equipment (cont'd.)

	Office equipment, furniture, fittings and motor vehicles RM'000	Computers RM'000	Plant, machinery and kitchen equipment and smallwares RM'000	Renovation and restoration RM'000	Building-in- progress RM'000	Building RM'000	Total RM'000
<b>At 30 April 2007</b>							
<b>Cost</b>							
At 1 May 2006	2,422	386	5,722	3,764	2,389	-	14,683
Additions	1,125	52	554	1,176	-	265	3,172
Transfers	-	-	-	-	(2,389)	2,389	-
Disposals	#	(6)	(213)	-	-	-	(219)
Write-offs	(56)	-	(278)	(661)	-	-	(995)
At 30 April 2007	3,491	432	5,785	4,279	-	2,654	16,641
<b>Accumulated depreciation</b>							
At 1 May 2006	1,318	264	3,879	1,789	-	-	7,250
Charge for the year	373	43	430	766	-	53	1,665
Disposals	#	(2)	(105)	-	-	-	(107)
Write-offs	(54)	-	(223)	(648)	-	-	(925)
At 30 April 2007	1,637	305	3,981	1,907	-	53	7,883
<b>Net carrying amount</b>							
At 30 April 2007	1,854	128	1,804	2,371	-	2,601	8,758

# denotes amount less than RM1,000

## 11. ACCOUNTANTS' REPORT

## 6. Historical financial information (cont'd.)

## 6.2.3 Property, plant and equipment (cont'd.)

	Office equipment, furniture, fittings and motor vehicles RM'000	Computers RM'000	Plant, machinery and kitchen equipment and smallwares RM'000	Renovation and restoration RM'000	Building RM'000	Total RM'000
<b>At 30 April 2008</b>						
<b>Cost</b>						
At 1 May 2007	3,491	432	5,785	4,279	2,654	16,641
Additions	1,192	85	2,446	3,745	-	7,468
Disposals	-	-	(30)	-	-	(30)
Write-offs	(538)	-	(446)	(582)	-	(1,566)
At 30 April 2008	4,145	518	7,755	7,441	2,654	22,513
<b>Accumulated depreciation</b>						
At 1 May 2007	1,637	305	3,981	1,907	53	7,883
Charge for the year	520	45	433	900	53	1,951
Disposals	-	-	(21)	-	-	(21)
Write-offs	(508)	-	(430)	(521)	-	(1,459)
At 30 April 2008	1,649	350	3,963	2,286	106	8,354
<b>Net carrying amount</b>						
At 30 April 2008	2,496	168	3,792	5,155	2,548	14,159



## 11. ACCOUNTANTS' REPORT

## 6. Historical financial information (cont'd.)

## 6.2.3 Property, plant and equipment (cont'd.)

	Office equipment, furniture, fittings and motor vehicles RM'000	Computers RM'000	Plant, machinery and kitchen equipment and smallwares RM'000	Renovation and restoration RM'000	Building RM'000	Total RM'000
<b>At 30 April 2009</b>						
<b>Cost</b>						
At 1 May 2008	4,145	518	7,755	7,441	2,654	22,513
Additions	1,550	486	3,195	4,201	-	9,432
Disposals	(172)	-	(4)	-	(2,654)	(2,830)
Write-offs	(221)	(99)	(227)	(190)	-	(737)
At 30 April 2009	5,302	905	10,719	11,452	-	28,378
<b>Accumulated depreciation</b>						
At 1 May 2008	1,649	350	3,963	2,286	106	8,354
Charge for the year	663	108	739	1,473	27	3,010
Disposals	(124)	-	(3)	-	(133)	(260)
Write-offs	(208)	(98)	(219)	(165)	-	(690)
At 30 April 2009	1,980	360	4,480	3,594	-	10,414
<b>Net carrying amount</b>						
At 30 April 2009	3,322	545	6,239	7,858	-	17,964

## 11. ACCOUNTANTS' REPORT

## 6. Historical financial information (cont'd.)

## 6.2.3 Property, plant and equipment (cont'd.)

	Office equipment, furniture, fittings and motor vehicles RM'000	Computers RM'000	Plant, machinery and kitchen equipment and smallwares RM'000	Renovation and restoration RM'000	Total RM'000
<b>At 30 April 2010</b>					
<b>Cost</b>					
At 1 May 2009	5,302	905	10,719	11,452	28,378
Additions	568	231	1,005	2,631	4,435
Acquisition of business operations (Note 6.2.4)	133	44	649	842	1,668
Reclassifications	62	(62)	-	-	-
Disposals	(35)	-	-	-	(35)
Write-offs	(141)	-	(210)	(337)	(688)
At 30 April 2010	5,889	1,118	12,163	14,588	33,758
<b>Accumulated depreciation</b>					
At 1 May 2009	1,980	360	4,480	3,594	10,414
Charge for the year	807	158	931	2,238	4,134
Reclassifications	8	(8)	-	-	-
Disposals	(35)	-	-	-	(35)
Write-offs	(100)	-	(148)	(108)	(356)
At 30 April 2010	2,660	510	5,263	5,724	14,157
<b>Net carrying amount</b>					
At 30 April 2010	3,229	608	6,900	8,864	19,601

## 11. ACCOUNTANTS' REPORT

## 6. Historical financial information (cont'd.)

## 6.2.3 Property, plant and equipment (cont'd.)

	Office equipment, furniture, fittings and motor vehicles RM'000	Computers RM'000	Plant, machinery and kitchen equipment and smallwares RM'000	Renovation and restoration RM'000	Total RM'000
<b>At 31 August 2010</b>					
<b>Cost</b>					
At 1 May 2010	5,889	1,118	12,163	14,588	33,758
Additions	146	19	29	103	297
Disposals	(25)	-	-	-	(25)
At 31 August 2010	6,010	1,137	12,192	14,691	34,030
<b>Accumulated depreciation</b>					
At 1 May 2010	2,660	510	5,263	5,724	14,157
Charge for the period	287	60	334	845	1,526
Disposals	(25)	-	-	-	(25)
At 31 August 2010	2,922	570	5,597	6,569	15,658
<b>Net carrying amount</b>					
At 31 August 2010	3,088	567	6,595	8,122	18,372

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.3 Property, plant and equipment (cont'd.)

- (a) The net book value of plant and equipment acquired under hire purchase agreements as at the reporting date for the FYE 30 April 2006 amounted to RM284,000.
- (b) Included in property, plant and equipment of BRoasters are fully depreciated assets which are still in use costing as follows:

As at:	RM'000
30 April 2006	864
30 April 2007	2,793
30 April 2008	3,611
30 April 2009	3,518
30 April 2010	3,330
31 August 2010	<u>4,252</u>

- (c) Additions of property, plant and equipment are analysed as follows:

	As at 30 April					As at
	2006	2007	2008	2009	2010	31 August
	RM'000	RM'000	RM'000	RM'000	RM'000	2010
						RM'000
Cash	2,782	2,878	7,468	9,432	4,435	297
Payable to suppliers	-	294	-	-	-	-
	<u>2,782</u>	<u>3,172</u>	<u>7,468</u>	<u>9,432</u>	<u>4,435</u>	<u>297</u>

## 6.2.4 Goodwill

Goodwill as at 31 August 2010 arose from the acquisition of business operations in the previous FYE 30 April 2010.

- (a) Acquisition of business operations

On 1 September 2009, BRoasters acquired two business operations which are involved with development and operation of the "Kenny Rogers Roasters" chain of restaurants. The cost of acquisition for both the operations amounted to RM2,680,000.

**11. ACCOUNTANTS' REPORT****6. Historical financial information (cont'd.)****Notes to the audited financial statements (cont'd.)****6.2.4 Goodwill (cont'd.)****(a) Acquisition of business operations (cont'd.)**

The acquired business operations contributed the following results to BRoasters in the previous FYE 30 April 2010:

	<b>1 September 2009 to 30 April 2010 RM'000</b>
Revenue	3,029
Profit for the period	<u>896</u>

Had the acquisition occurred on 1 May 2009, BRoasters's revenue and profit for the year would have been RM4,363,000 and RM1,275,000 respectively.

The assets arising from the acquisition were as follows:

	<b>Fair value and acquiree's carrying amount recognised on acquisition RM'000</b>
Property, plant and equipment	1,668
Inventories	<u>26</u>
Fair value and BRoasters' share of net assets	1,694
Goodwill	<u>986</u>
Total cost and cash outflow of the acquisition	<u>2,680</u>

There were no acquisitions in the FPE 31 August 2010 and subsequent to 31 August 2010.



**6. Historical financial information (cont'd.)**

**Notes to the audited financial statements (cont'd.)**

**6.2.4 Goodwill (cont'd.)**

- (b) During the FYE 30 April 2010 and FPE 31 August 2010, BRoasters carried out a review of the recoverable amount of goodwill and the review has not led to any impairment losses.
- (c) Impairment testing on goodwill

Key assumptions used in VIU calculation

The recoverable amount of a CGU is determined based on VIU calculation using cash flow projections based on financial budgets covering a three-year period. The key assumptions used for VIU calculations are:

- (i) Budgeted gross margin and growth rate

The basis used to determine the value assigned to the budgeted gross margins and growth rate is the average gross margin and average growth rate achieved in the years before the budgeted year and adjusted for expected efficiency improvements.

- (ii) Discount rate

The discount rate used reflects specific risks relating to BRoasters. The significant post-tax discount rates, applied to post-tax cash flows is 17%.

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.4 Goodwill (cont'd.)

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

## 6.2.5 Deferred tax asset/liabilities

	←————— As at 30 April —————→					As at
	2006	2007	2008	2009	2010	31 August
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 May	(1,437)	202	384	885	777	871
Recognised in the statement of comprehensive income (Note 6.2.21)	1,639	182	501	(108)	94	1,330
At 30 April/ 31 August	202	384	885	777	871	2,201
		Property, plant and equipment RM'000	Tax losses allowances RM'000	Unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
At 1 May 2005		438	(1,496)	(350)	(29)	(1,437)
Recognised in the statement of comprehensive income		386	870	350	33	1,639
At 30 April 2006		824	(626)	-	4	202
Recognised in the statement of comprehensive income		(422)	626	-	(22)	182
At 30 April 2007		402	-	-	(18)	384
Recognised in the statement of comprehensive income		511	-	-	(10)	501
At 30 April 2008		913	-	-	(28)	885
Recognised in the statement of comprehensive income		(98)	-	-	(10)	(108)
At 30 April 2009		815	-	-	(38)	777
Recognised in the statement of comprehensive income		116	-	-	(22)	94
At 30 April 2010		931	-	-	(60)	871
Recognised in the statement of comprehensive income		1,330	-	-	-	1,330
At 31 August 2010		2,261	-	-	(60)	2,201

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.6 Inventories

	← As at 30 April →					As at
	2006	2007	2008	2009	2010	31 August
	RM'000	RM'000	RM'000	RM'000	RM'000	2010
						RM'000
<b>At cost:</b>						
Food and beverages	489	571	1,207	1,389	1,463	1,488
Paper and packaging	30	29	52	72	98	78
Spares and other supplies	191	253	249	396	487	458
	<u>710</u>	<u>853</u>	<u>1,508</u>	<u>1,857</u>	<u>2,048</u>	<u>2,024</u>
Cost of inventories recognised as an expense	<u>7,613</u>	<u>8,588</u>	<u>11,343</u>	<u>15,319</u>	<u>17,060</u>	<u>6,308</u>

## 6.2.7 Trade and other receivables

	← As at 30 April →					As at
	2006	2007	2008	2009	2010	31 August
	RM'000	RM'000	RM'000	RM'000	RM'000	2010
						RM'000
<b>Trade receivables</b>	<u>62</u>	<u>64</u>	<u>35</u>	<u>39</u>	<u>50</u>	<u>101</u>
<b>Other receivables</b>						
Deposits	1,760	2,071	2,524	3,487	4,151	4,568
Sundry receivables	193	261	845	558	82	292
Prepayment	80	262	1,570	112	103	196
	<u>2,033</u>	<u>2,594</u>	<u>4,939</u>	<u>4,157</u>	<u>4,336</u>	<u>5,056</u>
Less: Provision for doubtful debts	<u>(37)</u>	<u>(37)</u>	<u>(37)</u>	<u>(37)</u>	<u>-</u>	<u>-</u>
	<u>1,996</u>	<u>2,557</u>	<u>4,902</u>	<u>4,120</u>	<u>4,336</u>	<u>5,056</u>
	<u>2,058</u>	<u>2,621</u>	<u>4,937</u>	<u>4,159</u>	<u>4,386</u>	<u>5,157</u>

BRoasters has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

The trade receivables are in respect of customers using credit card transactions and are aged within 3 to 6 days. None of BRoasters' trade and sundry receivables are past due nor impaired as at 31 August 2010.



## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.7 Trade and other receivables (cont'd.)

As disclosed in Note 6.2.2.1 in relation to FRS 7, BRoasters has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout BRoasters' financial statements for the FPE 31 August 2010.

## 6.2.8 Due from/(to) other related companies and holding company

The amounts due from/(to) other related companies and holding company as at the reporting date for the FYE 30 April 2006, 2007, 2008, 2009, 2010 and FPE 31 August 2010 are unsecured and are repayable upon demand.

The amounts due from holding company and certain related companies as at 30 April 2010 and 31 August 2010 bear interest of 7.8% per annum. All other amounts due from/(to) other related companies are non interest bearing.

None of the amounts due from holding company and related companies are past due nor impaired as at 31 August 2010.

As disclosed in Note 6.2.2.1 in relation to FRS 7, BRoasters has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the BRoasters' financial statements for the FPE 31 August 2010.

## 6.2.9 Cash and bank balances

	← As at 30 April →					As at
	2006	2007	2008	2009	2010	31 August
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	2,718	4,175	1,372	10,775	13,095	16,955
Deposits with a licensed financial institutions	-	1,000	-	-	2,800	2,800
Cash fund	-	-	-	-	340	376
	<u>2,718</u>	<u>5,175</u>	<u>1,372</u>	<u>10,775</u>	<u>16,235</u>	<u>20,131</u>

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.9 Cash and bank balances (cont'd.)

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits of BRoasters have an average maturity of 7 days as at the reporting dates. The weighted average effective interest rates applicable to deposits with a licensed financial institution as at the balance sheet date was as follows:

As at:	Weighted average effective interest rate per annum
30 April 2007	2.65%
30 April 2010	1.55%
31 August 2010	<u>1.55%</u>

## 6.2.10 Share capital

	Number of ordinary shares of RM1 each					As at
	← As at 30 April →					31 August
	2006 '000	2007 '000	2008 '000	2009 '000	2010 '000	2010 '000
<b>Authorised:</b>						
At beginning/end of year/period	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
<b>Issued and fully paid:</b>						
At beginning/end of year/period	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>

	Amount					As at
	← As at 30 April →					31 August
	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2010 RM'000
<b>Authorised:</b>						
At beginning/end of year/period	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
<b>Issued and fully paid:</b>						
At beginning/end of year/period	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.11 (Accumulated losses)/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 irrecoverable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of Finance Act 2007.

BRoasters did not elect for the irrecoverable option to disregard the Section 108 balance. Accordingly, BRoasters may utilise the credit in the Section 108 as at 31 December 2007 to distribute cash dividend payments to ordinary shareholding as defined under the Finance Act 2007.

As at 30 April 2010, BRoasters has fully utilised its Section 108 credit balance. Hence, BRoasters may now distribute its entire retained earnings as dividends under the single tier system.

Availability of Section 108 balance of BRoasters are as follows:

	← As at 30 April →					As at
	2006	2007	2008	2009	2010	31 August
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Section 108 balance	#	263	174	174	#	-

# denotes amount less than RM1,000

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.12 Hire purchase payables

The future minimum lease payments of hire purchase payables are as follows:

	← As at 30 April →					As at
	2006	2007	2008	2009	2010	31 August
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	200	-	-	-	-	-
Later than 1 year but not later than 2 years	149	-	-	-	-	-
Later than 2 years but not later than 5 years	-	-	-	-	-	-
	<u>349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: Future finance charges	<u>(88)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Analysis of present value of  
finance lease liabilities**

Not later than 1 year	149	-	-	-	-	-
Later than 1 year and not later than 2 years	112	-	-	-	-	-
Later than 2 years and not not later than 5 years	-	-	-	-	-	-
	<u>261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Analysed as:</b>						
Due within 12 months	149					
Due after 12 months	112	-	-	-	-	-
	<u>261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

BRoasters had hire purchase contracts for various items of property, plant and equipment as disclosed in Note 6.2.3. The hire purchase liabilities attracted interest at the reporting date of between 8.81% to 12.83% per annum.

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.13 Provision for restoration costs

	← As at 30 April →					As at
	2006	2007	2008	2009	2010	31 August
	RM'000	RM'000	RM'000	RM'000	RM'000	2010
						RM'000
At beginning of the year/period	-	-	294	675	938	1,110
Additional provision	-	294	381	263	196	-
Utilisation of provision	-	-	-	-	(24)	-
At the end of the year/period	-	294	675	938	1,110	1,110

The remaining maturities of the provisions are as follows:

	← As at 30 April →					As at
	2006	2007	2008	2009	2010	31 August
	RM'000	RM'000	RM'000	RM'000	RM'000	2010
						RM'000
Current	-	115	127	156	144	144
Non-current:						
Later than 1 year but not later than 2 years	-	66	254	313	287	287
Later than 2 years but not later than 5 years	-	94	294	469	679	679
Later than 5 years	-	19	-	-	-	-
	-	179	548	782	966	966
	-	294	675	938	1,110	1,110

Provision for restoration is made based on the estimation of restoration of premises arising from the use of such premises, which are capitalised and included in the cost of property, plant and equipment.

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.14 Trade and other payables

	← As at 30 April →					As at
	2006	2007	2008	2009	2010	31 August
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	1,601	1,455	3,357	3,177	2,982	2,538
Sundry payables	146	337	980	1,465	2,056	3,047
Accruals	1,625	2,880	2,430	3,172	1,734	1,108
	<u>3,372</u>	<u>4,672</u>	<u>6,767</u>	<u>7,814</u>	<u>6,772</u>	<u>6,693</u>

The normal trade credit terms granted to BRoasters are as follows:

	← As at 30 April →					As at
	2006	2007	2008	2009	2010	31 August
	Days	Days	Days	Days	Days	Days
Trade and other payables	<u>30 - 45</u>	<u>30 - 45</u>	<u>30 - 45</u>	<u>30 - 45</u>	<u>30 - 45</u>	<u>30 - 45</u>

Trade and other payables are non-interest bearing.

## 6.2.15 Revenue

Revenue represents the sale of food and beverages, net of sales taxes and discounts.

## 6.2.16 Cost of sales

Cost of sales represents cost of inventories sold and cost of services provided.

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.17 Profit from operations

Profit from operations is arrived at after charging/(crediting):

	Audited					Unaudited	Audited
	As at 30 April					FPE	FPE
	2006	2007	2008	2009	2010	1 May 2009 to 31 August 2009	1 May 2010 to 31 August 2010
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Auditors' remuneration							
- current year	18	19	21	35	25	12	12
- under/(over) provision in prior years	3	#	1	5	(10)	-	-
Depreciation for property, plant and equipment	1,088	1,665	1,951	3,010	4,134	1,197	1,526
Property, plant and equipment written off	826	70	107	47	332	259	-
Rental expenses							
- related companies	909	886	912	733	892	289	298
- others	4,398	4,845	5,820	7,623	8,957	2,721	3,371
Royalty expenses payable to a related company	178	199	276	337	393	112	146
Staff costs (Note 6.2.18)	6,826	7,994	11,066	13,528	15,715	4,791	5,819
Inventories written off	18	-	-	-	-	-	-
Loss/(Gain) on sale of property, plant and equipment	52	64	3	(4,425)	(14)	(14)	(1)
Royalty fee income	(180)	(223)	(245)	(413)	(423)	(137)	(137)
Franchise fee income	(115)	(53)	(13)	(38)	-	-	-
Realised (gain)/loss on foreign exchange	(8)	(4)	(7)	5	11	-	(1)
Bad debts written off	31	-	-	-	-	-	-
Reversal of provision for doubtful debts	-	-	-	-	(37)	-	-
Interest income:							
- holding company	-	-	-	-	(492)	(122)	(172)
- related companies	-	-	-	-	(152)	(104)	(13)
- others	-	(7)	(35)	(5)	(42)	(4)	(40)

# denotes amount less than RM1,000

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.18 Staff costs

	Audited					Unaudited	Audited
	2006	2007	2008	2009	2010	FPE	FPE
	RM'000	RM'000	RM'000	RM'000	RM'000	1 May 2009	1 May 2010
	As at 30 April					to	to
						31 August	31 August
						2009	2010
						RM'000	RM'000
Wages, salaries and bonus	5,423	6,275	8,918	10,850	12,693	3,917	4,780
Pension and defined contribution plans	636	753	1,038	1,217	1,415	400	481
Social security costs	90	104	137	172	197	58	73
Short term accumulating compensated absences	17	#	42	40	87	-	-
Other staff related expenses	660	862	931	1,249	1,323	416	485
	<u>6,826</u>	<u>7,994</u>	<u>11,066</u>	<u>13,528</u>	<u>15,715</u>	<u>4,791</u>	<u>5,819</u>

# denotes amount less than RM1,000

Included in staff costs of BRoasters are executive directors' remuneration (excluding benefits-in-kind) as disclosed in Note 6.2.19.

## 6.2.19 Directors' remuneration

	Audited					Unaudited	Audited
	2006	2007	2008	2009	2010	FPE	FPE
	RM'000	RM'000	RM'000	RM'000	RM'000	1 May 2009	1 May 2010
	As at 30 April					to	to
						31 August	31 August
						2009	2010
						RM'000	RM'000
Executive directors' remuneration:							
Salaries and other emoluments	231	281	325	331	344	93	99
Total directors' remuneration	<u>231</u>	<u>281</u>	<u>325</u>	<u>331</u>	<u>344</u>	<u>93</u>	<u>99</u>
Estimated money value of benefits-in-kind	3	9	9	7	7	2	2
Total directors' remuneration including benefits-in-kind	<u>234</u>	<u>290</u>	<u>334</u>	<u>338</u>	<u>351</u>	<u>95</u>	<u>101</u>



## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.20 Finance costs

	Audited					Unaudited	Audited
	As at 30 April					FPE	FPE
	2006	2007	2008	2009	2010	1 May 2009	1 May 2010
	RM'000	RM'000	RM'000	RM'000	RM'000	to	to
						31 August	31 August
						2009	2010
						RM'000	RM'000
Interest expense on:							
- hire purchase	50	71	#	-	-	-	-

# denotes amount less than RM1,000

## 6.2.21 Taxation

	Audited					Unaudited	Audited
	As at 30 April					FPE	FPE
	2006	2007	2008	2009	2010	1 May 2009	1 May 2010
	RM'000	RM'000	RM'000	RM'000	RM'000	to	to
						31 August	31 August
						2009	2010
						RM'000	RM'000
<b>Malaysian income tax:</b>							
Current income tax	-	592	1,500	1,462	2,237	343	626
Overprovision in prior years	-	-	(329)	(380)	(610)	(610)	(1,017)
	-	592	1,171	1,082	1,627	(267)	(391)
<b>Deferred tax (Note 6.2.5):</b>							
Relating to origination and reversal of temporary differences	1,242	674	173	349	333	357	550
Relating to changes in tax rates	-	-	(57)	(17)	-	-	-
Under/(Over) provision in prior years	397	(492)	385	(440)	(239)	(239)	780
	1,639	182	501	(108)	94	118	1,330
Taxation for the year/period	1,639	774	1,672	974	1,721	(149)	939

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.21 Taxation (cont'd.)

The over provision of income tax expense in prior years/period was mainly due to the higher group relief utilised as compared to the amount of group relief estimated in the previous reporting period.

Domestic current income tax is calculated at the Malaysian statutory tax rates set out below:

	← Year of assessment →					
	2006	2007	2008	2009	2010	2011
	%	%	%	%	%	%
Malaysian statutory tax rate	28	27	26	25	25	25

Reconciliations of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective tax rate of BRoasters are as follows:

	← Audited →					Unaudited	Audited
	As at 30 April					FPE	FPE
	2006	2007	2008	2009	2010	1 May 2009 to 31 August 2009	1 May 2010 to 31 August 2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	3,543	3,846	8,361	13,588	10,747	2,136	4,252
Taxation at Malaysian statutory tax rate	992	1,038	2,174	3,397	2,687	534	1,063
Income not subject to tax	-	-	-	(1,107)	-	(4)	-
Expenses not deductible for tax purposes	250	232	223	382	633	170	113
Effect of changes in tax rate	-	(4)	6	(17)	-	-	-
Effect of changes in tax rate on opening balance of deferred tax	-	-	(57)	-	-	-	-
Group relief	-	-	(730)	(861)	(750)	-	-
Overprovision of income tax in prior years	-	-	(329)	(380)	(610)	(610)	(1,017)
Under/(Over) provision of deferred tax in prior years	397	(492)	385	(440)	(239)	(239)	780
Taxation for the year/period	1,639	774	1,672	974	1,721	(149)	939

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.21 Taxation (cont'd.)

Tax savings during the financial year/period arising from:

	← Audited As at 30 April →					Unaudited FPE 1 May 2009 to 31 August 2009	Audited FPE 1 May 2010 to 31 August 2010
	2006	2007	2008	2009	2010		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Utilisation of capital allowances carried forward	350	-	-	-	-	-	-
Unutilised tax losses carried forward	3,105	612	-	-	-	-	-
Group relief	-	-	730	861	750	-	-

## 6.2.22 Dividends

BRoasters has not paid or declared any dividends since its incorporation except for the FYE 30 April 2009. On 15 July 2009, BRoasters paid its first interim dividend of 4.08% per share less tax of 25% of RM520,200 in respect of FYE 30 April 2009. This represents net dividend per share of 3.06 sen.

## 6.2.23 Capital commitments

	← As at 30 April →					As at 31 August 2010
	2006	2007	2008	2009	2010	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Capital expenditure						
Approved but not contracted for:						
Property, plant and equipment	2,790	8,486	12,752	721	10,453	8,903
Approved and contracted for:						
Property, plant and equipment	-	-	-	-	-	979
Total	2,790	8,486	12,752	721	10,453	9,882

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.24 Contingent liabilities

	← As at 30 April →					As at
	2006	2007	2008	2009	2010	31 August
	RM'000	RM'000	RM'000	RM'000	RM'000	2010
	RM'000					
Unsecured:						
Bank guarantee issued to third parties	41	33	222	296	308	310

## 6.2.25 Operating Lease agreements

BRoasters leases premises under cancellable operating lease agreements and is required to give one month notice for the termination of those agreements.

The rental payments recognised in the statements of comprehensive income during the respective financial years/periods are disclosed in Note 6.2.17.

## 6.2.26 Significant related party transactions

## (a) Significant related party transactions

	← Audited As at 30 April →					Unaudited	Audited
	2006	2007	2008	2009	2010	FPE	FPE
	RM'000	RM'000	RM'000	RM'000	RM'000	1 May 2009	1 May 2010
	to						to
	31 August						31 August
	2009						2010
	RM'000						
Interest income received from holding company	-	-	-	-	(492)	(122)	(172)
Related companies*:							
Interest income	-	-	-	-	(152)	(104)	(13)
Project management fee income	-	-	-	(657)	(35)	-	-
Rental expense	909	886	912	733	892	289	298
Purchase of cleaning material	52	98	148	149	153	54	42
Royalty expense	178	199	276	337	393	112	146

\* Related companies are companies within BGroup group.

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.26 Significant related party transactions (cont'd.)

## (a) Significant related party transactions (cont'd.)

The purchases of products such as cleaning material and rendering of services by related companies to BRoasters were made according to published prices and on terms and conditions which are not materially different from those normally offered by the related companies to their major customers.

Other related party transactions are entered into based on mutually agreed terms between the related parties.

## (b) Compensation of key management personnel

The directors of BRoasters are the key management personnel of BRoasters. The remuneration of directors during the financial years/periods is as disclosed in Note 6.2.19.

## 6.2.27 Fair value of financial instruments

## (i) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note	Carrying amount RM'000	Fair value RM'000
<b>Financial liabilities:</b>			
Hire purchase payables			
- At 30 April 2006	6.2.12	261	313



## 6. Historical financial information (cont'd.)

### Notes to the audited financial statements (cont'd.)

#### 6.2.27 Fair value of financial instruments (cont'd.)

##### (ii) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

<u>Current</u>	<u>Note</u>
Trade and other receivables	6.2.7
Due from other related companies	6.2.8
Due from holding company	6.2.8
Trade and other payables	6.2.14

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

##### Fixed rate hire purchase payables

The fair value of hire purchase payables was estimated by discounting expected future cash flows at market incremental lending rate for similar types of hire purchase arrangements as at 30 April 2006.



## 6. Historical financial information (cont'd.)

### Notes to the audited financial statements (cont'd.)

#### 6.2.28 Financial risk management objectives and policies

BRoasters' financial risk management policy seeks to ensure that adequate financial resources are available for the development of BRoasters' business whilst managing its interest rate, foreign exchange, liquidity and credit risks. BRoasters operates within clearly defined guidelines and BRoasters' policy is not to engage in speculative transactions.

##### (a) Credit risks

BRoasters' credit risk is primarily attributable to credit card sales. BRoasters trades only with recognised and creditworthy card centre.

BRoasters' sales are mainly on cash basis, as such, it is not exposed to significant credit risks in relation to its sales. Credit risks, or the risk of counterparties defaulting are minimized and monitored via strictly limiting BRoasters' associations to business partners with high creditworthiness.

As at the end of each financial year/period, BRoasters' maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

BRoasters does not have any significant exposure to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial instrument, other than the amount due from holding company.

##### Financial assets that are neither past due nor impaired

Information regarding trade and other receivables and amounts due from holding company and other related companies that are neither past due nor impaired is disclosed in Note 6.2.7 and 6.2.8, respectively. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

As disclosed in Note 6.2.2.1 in relation to FRS 7, BRoasters has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the BRoasters' financial statements for the FPE 31 August 2010.

**11. ACCOUNTANTS' REPORT****6. Historical financial information (cont'd.)****Notes to the audited financial statements (cont'd.)****6.2.28 Financial risk management objectives and policies (cont'd.)****(a) Credit risks (cont'd.)**Financial assets that are either past due or impaired

BRoasters does not have any trade and other receivables and amounts due from holding company and other related companies that are either past due or impaired.

As disclosed in Note 6.2.2.1 in relation to FRS 7, BRoasters has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the BRoasters' financial statements for the FPE 31 August 2010.

**(b) Liquidity risks**

Liquidity risk is the risk that BRoasters will encounter difficulty in meeting financial obligations due to shortage of funds. BRoasters' exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. BRoasters' objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

BRoasters actively manages its debt maturity profile, operating cash flows and the availability of funds so as to ensure that all refinancing, repayment and funding needs are met. As part of BRoasters' liquidity management, it maintains sufficient levels of cash and seeks co-operation and support from its suppliers and vendors to meet its working capital requirements.

Analysis of financial instruments by remaining contractual maturities

BRoasters' trade and other payables are either repayable on demand or mature within one year.

**(c) Interest rate risks**

Interest rate risk is the risk that the fair value or future cash flows of BRoasters' financial instruments will fluctuate because of changes in market interest rates.



11. ACCOUNTANTS' REPORT



6. Historical financial information (cont'd.)

Notes to the audited financial statements (cont'd.)

6.2.28 Financial risk management objectives and policies (cont'd.)

(c) Interest rate risks (cont'd.)

BRoasters' exposure to interest rate risk arises primarily from the advances at floating rates given to its holding company and other related companies.

Sensitivity analysis for interest rate risk

Other than the hire purchase obligations in 30 April 2006 which were carried at fixed interest rates, BRoasters had no long-term interest bearing borrowings as at 30 April 2007, 2008, 2009, 2010 and 31 August 2010. Contribution from interest income is insignificant. As such, BRoasters is not sensitive to interest rate risks.

(d) Foreign currency risks

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

BRoasters has transactional currency exposure arising from purchases that are denominated in United States Dollar ("USD") and Singapore Dollar ("SGD"). For the FPE 31 August 2010, approximately 1.3% of BRoasters' cost of sales are denominated in foreign currencies. BRoasters' foreign exchange exposures in transactional currencies are kept to a minimal level.

As disclosed in Note 6.2.2.1 in relation to FRS 7, BRoasters has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the BRoasters' financial statements for the FPE 31 August 2010.

Sensitivity analysis for foreign currency risk

BRoasters has minimal purchases denominated in foreign currencies. As such, BRoasters is not sensitive to foreign currency risks.

## 11. ACCOUNTANTS' REPORT



## 6. Historical financial information (cont'd.)

## Notes to the audited financial statements (cont'd.)

## 6.2.29 Comparatives

The comparative figures for the statement of comprehensive income and the related notes to financial statements are for the comparable four-months FPE 31 August 2009, in compliance with the requirements of FRS134 Interim Financial Reporting. Pursuant to Paragraph 12.12(a) of the Prospectus Guidelines issued by the Securities Commission Malaysia, the comparative figures have not been audited as the directors of BRoasters are of the opinion that analysing the comparative figures would not be of value for the purpose for which the financial statements for the four-months FPE 31 August 2010 have been prepared as explained in Note 6.2.2.

Certain comparative figures for FYE 30 April 2009 have been adjusted and reclassified to conform with presentation as at FYE 30 April 2010 to reflect a fairer presentation.

	As previously reported RM'000	Reclassi- fication RM'000	As reported RM'000
<b>Cash Flow Statement</b>			
<b>Cash flow from operating activities</b>			
Receipts from customers and others	52,483	4,985	57,468
Payments to suppliers	(16,170)	1,265	(14,905)
Payments for operating expenses	(16,643)	(13,387)	(30,030)
<b>Cash flow from financing activities</b>			
Repayment received from related companies	-	5,037	5,037
Repayment received from holding company	-	2,100	2,100



**6. Historical financial information (cont'd.)**

**Notes to the audited financial statements (cont'd.)**

**6.2.30 Audited financial statements**

No audited financial statements have been prepared in respect of any period subsequent to 31 August 2010 for BRoasters.

**6.2.31 Significant events occurring after the reporting date**

There were no material events which have arisen subsequent to the reporting date, which require disclosure in this report.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Ernst &amp; Young'.

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia

A handwritten signature in black ink, appearing to be 'Yap Seng Chong'.

Yap Seng Chong  
2190/12/11(J)  
Chartered Accountant