



annual report | 2005



## Flying High

At QSR Brands Bhd, 2005 was the year of flying high with soaring strides in profitability, success and expansion. But success is more than just numbers and bottom line. It is also part of a larger story, or continuum, one which reflects a long track record of growth.

We also aim to continue to fly high in the areas of brand loyalty and customer satisfaction; in the dedication and team spirit among our employees; and in reaching new heights of enhancing shareholder value, as well as enhancing cooperation and synergy amongst partners, team members and tomorrow's generation.



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# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 3rd Annual General Meeting of the members of QSR Brands Bhd will be held at Level 3, Wisma KFC, NO 17 Jalan Sultan Ismail, 50250 Kuala Lumpur on 29 August 2006 at 11.00 a.m, for the following purposes :

## AGENDA

1. To receive and adopt the Audited Financial Statement of the Company for the year ended 31 December 2005 and the Reports of the Directors' and Auditors thereon. **Resolution 1**
2. To approve the payment of final dividend of 4 sen less 28% Malaysian income tax per share. **Resolution 2**
3. To approve the payment of Directors' Fees. **Resolution 3**
4. (a) To re-elect the following Director retiring pursuant to Article 89:
  - (i) Dato' Dr Ridzuan bin Mohd Akil **Resolution 4**
- (b) To re-elect the following Directors retiring pursuant to Article 96:
  - (i) Toh Chun Wah **Resolution 5**
  - (ii) Tan Sri Dato' Muhammad Ali bin Hashim **Resolution 6**
  - (iii) Ahamad bin Mohamad **Resolution 7**
  - (iv) Jamaludin bin Md Ali **Resolution 8**
  - (v) YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail **Resolution 9**
  - (vi) Mohammad bin Alwi **Resolution 10**
  - (vii) Wong Seng Lee **Resolution 11**
  - (viii) Sheik Sharufuddin bin Sheik Mohd **Resolution 12**
  - (ix) Kua Hwee Sim **Resolution 13**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorize the Directors to fix their remuneration. **Resolution 14**
6. As special business:

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

  - (a) Authority to allot and issue shares pursuant to Section 132D of the Companies Act 1965

"THAT subject always to the Companies Act 1965, Articles of Association of the Company and approvals from the Bursa Malaysia Securities Berhad and other governmental or regulatory authorities, where such approvals shall be necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act 1965 from time to time to issue and allot ordinary shares from the unissued share capital of the Company upon such terms and conditions and at such times as may be determined by the Directors of the Company to be in the interest of the Company provided always that the aggregate number of shares to be issued pursuant to this Resolution shall not exceed 10 percent of the issued share capital for the time being of the Company."  
**Resolution 15**
  - (b) Proposed Renewal of Shareholders' Mandate for QSR and its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue of Trading Nature with Related Parties (Proposed Shareholder's Mandate).

"THAT for the purpose of paragraph 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be given for the Company and its subsidiaries ("QSR Group") to enter into any category of recurrent transactions of a revenue or trading nature as set out in paragraph 2.2.1 of the Circular to Shareholders dated 3 August 2006 with the related parties mentioned therein which are necessary for QSR Group's day-to-day operations, provided that:

- (i) the transactions are in the ordinary course of business, made at arm's length and on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders and on normal commercial terms;
- (ii) 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; and
- (iii) interested directors, interested major shareholders and interested persons 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 also ensure that persons connected with him abstain from voting on the resolution approving the transactions.

AND THAT the authority conferred by such mandate shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which such Proposed Shareholders' Mandate is passed, at which time it will lapse, unless the authority is renewed by a resolution passed at an AGM;
- (ii) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

- (iii) revoked or varied by resolution passed by the shareholders in an AGM or EGM,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorized to take all such steps as are necessary or expedient to implement, finalise or to effect the Proposed Shareholders' Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities." **Resolutions 16**

- 7. To transact any other ordinary business of which due notices shall have been given.

**BY ORDER OF THE BOARD**

**Mohd Zam Bin Mustaman**

*Company Secretary* (LS 0009020)

Kuala Lumpur

3 August 2006

NOTE:

- (1) A member of the Company entitled to attend and vote at the above Annual General Meeting ("AGM") may appoint a Proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or person approved by the Registrar of Companies.
- (2) A member of the Company may appoint more than two (2) proxies to attend the AGM. Where a member of the Company appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
- (3) The instrument appointing a Proxy must be deposited at the Company's Registrar Office, Epsilon Registration Services Sdn Bhd, 312, 3rd Floor, Block C, Kelana Square, 17, Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

# Notice of Dividend Entitlement

NOTICE IS ALSO HEREBY GIVEN that the final dividend of 4 sen less 28% Malaysian income tax per share will be paid on 19 September 2006 to depositors who are registered in the Record of Depositors at the close of business on 5 September 2006 if approved by members at the 3rd Annual General Meeting 29 August 2006. A Depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred into the Depositor's Securities Account before 4.00pm on 5 September 2006 in respect of the ordinary transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

Explanatory Notes on Special Business

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

The Ordinary Resolution proposed under item 6(a), if passed, will give the Directors of the Company, from the date of the above General Meeting, authority to issue and allot ordinary shares from the unissued capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expire at the conclusion of the next Annual General Meeting.

## 2. Resolution pursuant to the Proposed Shareholders' Mandate

This resolution proposed under item 6(b) will enable QSR Group to enter into any recurrent transactions of a revenue or trading nature which are necessary for the QSR Groups' day-to-day operations, subject to the transactions being in the ordinary course of business, made at arm's length and on normal commercial terms and are not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Shareholders' Mandate are set out in the Circular to Shareholders of the Company which is dispatched together with the Company's Audited Accounts 2005.

# Statement Accompanying Notice of Annual General Meeting

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

(a) YBhg Dato' Dr Ridzuan bin Mohd Akil is retiring by rotation pursuant to Article 89 of the Articles of Association.

(b) The Directors retiring by rotation pursuant to Article 96 of the Articles of Association are:

- (i) Toh Chun Wah
- (ii) Tan Sri Dato' Muhammad Ali bin Hashim
- (iii) Ahamad bin Mohamad
- (iv) Jamaludin bin Md Ali
- (v) YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail
- (vi) Wong Seng Lee
- (vii) Kua Hwee Sim
- (viii) Sheik Sharufuddin bin Sheik Mohd
- (ix) Mohammad bin Alwi

The details of the directors seeking re-election are set out in the Directors' Profiles which appear from Page 20 of the Annual Report.

## 2. DETAILS OF ATTENDANCE AT BOARD MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

There were thirteen (13) Board Meetings held during the financial year ended 31 December 2005 and the following are the details of the Board attendance:

Name of Director	No of Meetings Attended
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Tan Sri Dato' Muhammad Ali bin Hashim <i>(Appointed on 7 June 2006)</i>	n/a
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Ahamad bin Mohamad <i>(Appointed on 7 June 2006)</i>	n/a
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Jamaludin bin Md Ali <i>(Appointed on 7 June 2006)</i>	n/a
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Toh Chun Wah <i>(Appointed on 2 June 2005)</i>	10/13
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YBhg Dato' Dr Ridzuan bin Mohd Akil	7/13
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YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail <i>(Appointed on 29 April 2005)</i>	3/13
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Wong Seng Lee <i>(Appointed on 7 June 2006)</i>	n/a
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Kua Hwee Sim <i>(Appointed on 7 June 2006)</i>	n/a
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Sheik Sharufuddin bin Sheik Mohd <i>(Appointed on 7 June 2006)</i>	n/a
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Mohammad bin Alwi <i>(Appointed on 7 June 2006)</i>	n/a
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Idham Jihadi bin Abu Bakar <i>(Appointed on 7 June 2006)</i>	n/a
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## 3. THE 3RD ANNUAL GENERAL MEETING WILL BE HELD AT LEVEL 3, WISMA KFC, NO 17 JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR ON 29 AUGUST 2006 AT 11.00 AM

# Corporate Statement




**Tan Sri Dato' Muhammad Ali Bin Hashim**  
*Chairman*



**Ahamad bin Mohamad**  
*Deputy Chairman*  
*Non Independent Non Executive Director*



**Jamaludin bin Md Ali**  
*Managing Director*



Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Corporate Statement of QSR Brands Bhd (QSR) for the financial year ended 31 December 2005.

First of all, we are pleased to report that the long standing Boardroom infighting that has been haunting QSR for a considerable period of time had finally come to a definite end, much to the relief of shareholders and all stakeholders of the Company. At an Extraordinary General Meeting (EGM) requisitioned by inter alios, Kulim (Malaysia) Berhad (Kulim) held on 7 June, 2006, the full weight of shareholders' power and ultimate authority was exercised whereby new Directors nominated by Kulim were elected in replacement of eleven incumbents whose continued presence were rejected by shareholders.

The following are the eight new Directors appointed at the EGM:

Tan Sri Dato' Muhammad bin Ali Hashim  
Ahamad bin Mohamad  
Jamaludin bin Md Ali  
Wong Seng Lee  
Kua Hwe Sim  
Sheik Sharufuddin bin Sheik Mohd  
Mohammad bin Alwi  
Idham Jihadi bin Abu Bakar



# Delivering Innovation

Innovation is the difference between intermittent progress and sustained success, between just coasting along and getting to where you're going fast. At QSR we pride ourselves in providing a fertile environment for innovation and initiative to thrive.



# Corporate Statement (contd.)

Apart from the eight new Directors above there are three existing directors namely Toh Chun Wah, Dato' Dr Ridzuan bin Mohd Akil and YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail.

The Directors' Report dated 28 April 2006 which appears on pages 46 to 50 of this Annual Report contains some information that requires clarification. Various legal suits filed in the Kuala Lumpur High Court between certain directors, led to the announcement on 3 January 2006 that the following directors had vacated their office by reason of Article 100(g) of the Company's Articles of Association:-

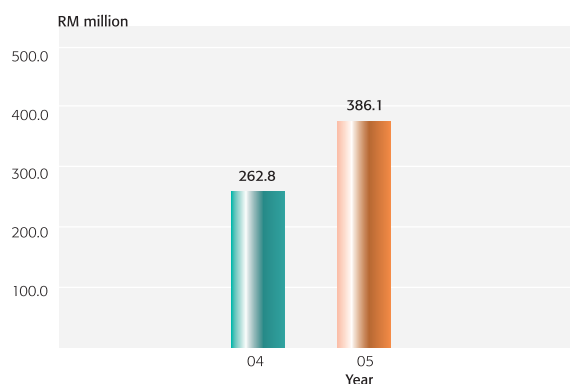
- (i) Datuk Johari bin Abdul Ghani;
- (ii) Dato' Hilmi bin Haji Abdul Rashid;
- (iii) Dato' Haji Karim bin Marzuki; and
- (iv) YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail.

Subsequently on 4 May 2006 the Court of Appeal made interim orders in Civil Appeals W-02-1070-2005 and W-02-1095-2005 which had the effect of restraining the following directors from acting as directors and declaring these four directors (together with Toh Chun Wah who was not a party) as the directors of your Company with authority to act:-

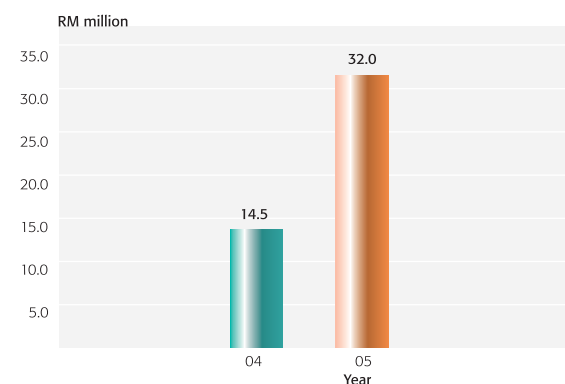
- (i) Tan Sri Dato' Nik Ibrahim Kamil bin Tan Sri Nik Ahmad Kamil;
- (ii) Sarbjit Singh a/l Sarban Singh;
- (iii) Yoong Nim Chor;
- (iv) Choong Show Tong;
- (v) Mohd Harris bin Pardi;
- (vi) Nurolamin bin Abas;
- (vii) Umar bin Abdul Hamid;
- (viii) Y Bhg Datuk Haji Izhar bin Sulaiman; and
- (ix) YAM Dato' Seri DiRaja Syed Razlan ibni Almarhum Tuanku Syed Putra Jamalullail.

After the EGM requisitioned by Kulim the position of the directors who had allegedly vacated their office, other than YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail's, is entirely academic, as they had either resigned or were removed at the EGM. The present Board has received legal opinion that YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail remains a director of the Company.

**Group Revenue: 2004 vs 2005**



**Group Operating Profit: 2004 vs 2005**



Kulim who, at the date of the EGM, beneficially held 51.86% shares in QSR, secured a majority of 55.90% of total votes cast at the EGM which ensured the successful passage of all resolutions. It is apparent that Kulim was successful in garnering the support of other minority shareholders of the Company, who obviously wanted to see an end to all squabbles, conflicts and litigation and get on with the Company's business. With the presence of a clear, single majority shareholder in Kulim, who is able, committed and willing to provide the leadership needed by the Company, QSR can now once and for all overcome the debilitating, distractive as well as meaningless Boardroom infighting and tussles that had been so much a negative feature of its corporate identity over the recent years.

With the mandate given by shareholders, all three of the undersigned, namely Tan Sri Dato' Muhammad Ali Hashim, Ahamad Mohamad and Jamaludin Md Ali, who respectively were appointed by your Board to the offices of the Chairman, Deputy Chairman and Managing Director of the Company, are pleased to present this Corporate Statement for the Company's Annual Report for Financial Year 2005.

This 'Corporate Statement', is obviously a departure from the previously familiar 'Chairman's Statement'. This is in line with the established corporate practice of Kulim as well as that of Johor Corporation, the Group's ultimate holding corporation.

This change is deliberate and it is also timely, in the context of the need to renew public perception of the Company that was badly damaged by the past conflicts. It is also done for a very good corporate reason. It obviously signals a much needed shift in top level corporate attitude, outlook and perception that should, over time, similarly permeate all levels of management structure.

More significant, it is intended to institute change involving a deliberate shift to a corporate and institutional management approach from previously personality-focused leadership style.

This 'Corporate Statement' therefore symbolizes that shift. It is a move towards a corporate leadership style at the very top that takes a very serious, long term view of the Company's future interests and wellbeing. More so now that the majority shareholders and ultimate holding corporation are themselves highly reputable and responsible corporations with very substantial public interests and ownership stakes involved.

Clearly, a new dynamic in QSR's very top corporate leadership is now in place, determined to 'create' a corporate climate fully conducive to its fundamental raison d'etre in business. QSR can now refocus all its energies, time and resources to fully address the challenges of growing the Company's business and sustaining effort to add long term value and maximize benefits and returns to all shareholders.

***The newly elected directors have not had the benefit of reviewing the accounts and financial performance of QSR and, therefore, the ensuing paragraphs should not be construed as an endorsement by the newly elected directors of the same. In this connection, the Board has received notification from a new majority shareholder of their reserved position in respect of the accounts.***

## BUSINESS ENVIRONMENT

2005 has been a year to remember, beginning on a tumultuous note against an uncertain economic backdrop. Increasingly high crude oil prices had a knock on effect with slower growth rates in many countries. However, on the Malaysian front the economy remained stable and enjoyed GDP growth of 5.3%. A similar situation was seen across the causeway in Singapore with GDP at 6.4% and a decrease in unemployment on the back of strong economic growth. The positive mood translated into an increased number of customers visiting Pizza Hut Casual Dining Restaurants and increased purchasing power of customers resulting in increased uptake of big ticket items in KFC restaurants.

# Corporate Statement (contd.)

## AGAINST THE ODDS

Despite the threat of Avian Flu and the unnecessarily distractive and disruptive effects emanating from a fractious Board, QSR delivered a good performance in 2005.

Financial highlights include:

- Pizza Hut restaurants and associate KFC Holdings (Malaysia) Bhd (KFCH) performed better with margin expansion from increased throughput and cost cutting measures.
- Group revenue increased 47% to RM386.1 million from RM262.8 million in 2004.
- Total FY2005 dividends of 7 sen consisting of 3 sen interim dividend and proposed 4 sen final dividend.

## ROADMAP

A Roadmap was implemented in August 2005 with 3 strategic thrusts aimed at institutionalizing governance, improving financial results and focus on running great restaurants. With the intent of enhancing overall governance, Group Authority Limits and Procedures (GALP) were reviewed and activated.

The execution of the “Beat Year Ago” marketing programmes and re-imaging of our restaurants has led to higher sales. Furthermore, savings made by leveraging on Group purchase to buy in bulk and avoid cost escalation added to better flow through from sales and pushed operating margins for QSR up 8.3% in 2005 from 5.5% a year ago. The renegotiation of a beverage supply agreement resulted in savings of about RM3 million across KFCH Group. Additionally, increase in process efficiencies and the rationalisation of non-performing KFC and Ayamias led to an estimated annual savings of RM3 million.

## GROWTH STRATEGY

To create greater shareholder value, a “Back to basics” strategic thrust was put in place to drive the restaurant business towards profitable expansion. Pizza Hut expanded its market dominance by increasing its restaurant count and re-imaging exercise in 2005 helping grow revenue by 47% to RM386.10 million.

In Malaysia, 17 new restaurants were opened in the year and 6 others underwent major remodeling to encompass the Pizza Hut Enhanced Dine-In (EDI) concept. The EDI experience offers customers enhanced service levels, improved ambiance and wider variety at affordable prices. It has helped maintain our 80% share of the Pizza Hut market and our third place in the fast food industry in both Malaysia and Singapore.



Numerous innovative and successful products like Cheesy Lava 3 and the Mystical Moroccan Pizza combined with the introduction of value for money combo meals delivered strong sales growth and margin expansion.

Pizza Hut Singapore mirrored Pizza Hut Malaysia's performance by achieving an improvement in operating profit to RM5 million in second half 2005 from a loss of RM1.70 million in first half 2005. Margin flow improvements came from an overall improvement in cost. Investments in call centre capabilities and heated pizza pouch deliveries have led to an increase in business. All this underlines Pizza Hut's growth potential and puts QSR in a position to create greater value in 2006.

KFC Malaysia, Brunei and Singapore experienced an increase in total revenue by 8% in 2005 to over the RM1 billion mark. In Singapore, a continuous effort to reduce promotional food cost and keeping a tight watch on the operating expenses saw the delivery of turnaround results with revenue and operating profits up 0.5% and 340% respectively from the previous year. Likewise, total operating profit for KFC Malaysia, Brunei and Singapore grew from RM40.90 million in 2004 to RM102.60 million in 2005.

Effort in marketing campaigns further improved KFC's number 1 brand position. The innovative "What's your KFC Moment?" brand thematic launched in August 2005, cemented the emotional bond KFC continues to enjoy with customers by conveying the message that KFC is not just the recipe for good food, but also for good times with loved ones.

Well received new products like Curry Chicken Crunch, Criss Cut Fries and Bandito Pocket and value layering strategies to offer affordable products to all wallets as well as the successful launch of higher ticket products like the bucket combo achieved consistent sales which reached a record peak in second half of 2005. The combined force of the brand thematic campaign with Image Enhancement efforts, new store openings, a wider value product offering all helped drive same store average sales in 2005 for KFC Malaysia and Brunei.

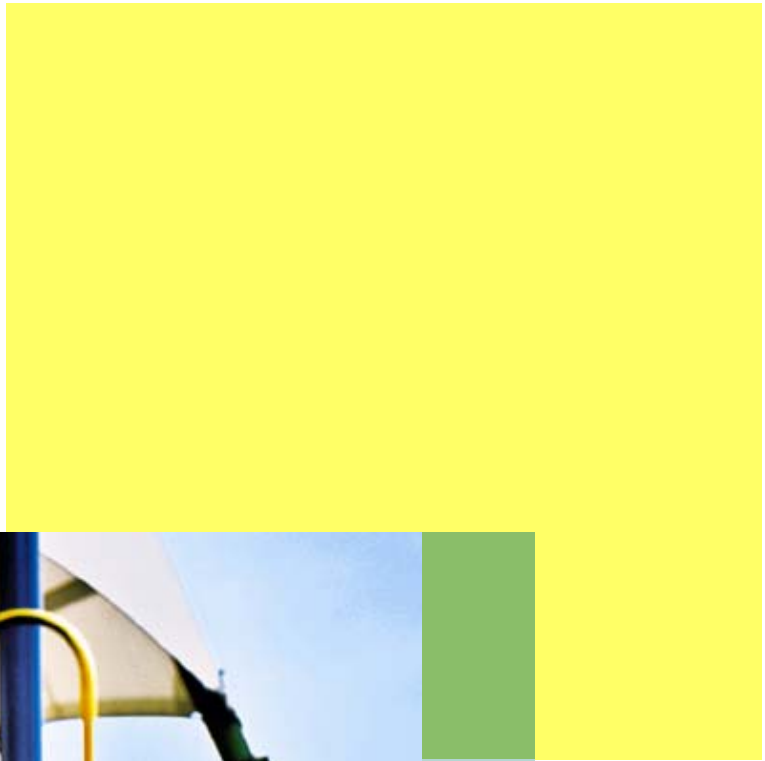
Improvements were also achieved across the KFCH Group as integrated poultry saw operating profit up to RM25.70 million in 2005. The repositioning of Ayamas retail division does not affect Ayamas' position as the market leader on chicken meat products such as the bestsellers Crispy Fried Chicken, Drummets and Premium Sausages. The growth in hypermarkets and supermarkets allowed management the opportunity to significantly trim overheads by closing 24 Kedai Ayamas outlets and refocus on a strategy to develop distribution networks. In line with management's store portfolio strategy aimed at driving profitable restaurants, the remaining Rasa Ayamas portfolio will be remodeled to complement our portfolio of great restaurants along the fast casual dining concept.



# Reaching High in Brand Loyalty

QSR has not only satisfied millions of customers, but more importantly earned their trust and loyalty. Our products are also strongly identified among consumers as brands they love and trust, as names that they grew up with, and which they in turn pass on to their children.





# Corporate Statement (contd.)

## DIVIDENDS

The Company declared and proposed a dividend of 7 sen per share in 2005 as compared to 4 sen in the previous year.

## HUMAN RESOURCES

We are dedicated to building an operating culture with a daily focus on execution in our business units with passion, urgency and excellence to drive performance. Throughout our journey we have become increasingly adept at embedding or inculcating our unique operating culture deep into our people to ensure service and performance improves from the ground up.

We are proud of our Pizza Hut and KFC teams who have bagged 14 awards at the YUM! Asia Pacific CHAMPS Challenge 2005 hosted here in Malaysia.

## CORPORATE SOCIAL RESPONSIBILITY

In line with our brand and people focus, we continue to direct the Group's community efforts on children. Pizza Hut's annual Best Schools Newspaper Award was conducted in conjunction with The Star and The Ministry of Education. 56,000 students participated for an opportunity to win a study tour to the University of Melbourne and digital cameras to help the budding journalists along on their journey. This year's highlights were the tenth anniversary of KFC's Projek Penyayang, a community outreach drive that targets delivery of *finger lickin' good* meals to 7,000 children at over 80 charitable institutions once a quarter.

## MOVING FORWARD

We are acutely aware of the need to manage costs and operate lean and efficient business units. We will continue to improve operational efficiencies and streamline costs where possible. Following efforts made in 2005, QSR is well placed to grow the Group's dominant market share of the quick service restaurants and embark on a clear growth path towards profitability and value creation.

The business plans include the introduction of more product innovations, improvement in process efficiencies and exploration of new markets and opportunities.

## ACKNOWLEDGEMENTS

We would like to commend and thank everyone from the management team through to our staff on the ground who remained focused on the day-to-day running of operations. Our thanks also go to our shareholders, bankers, financiers, suppliers and governmental and regulatory authorities for their continuing support.


Now that the Boardroom conflicts are over and buried in the Company's past, so should we do away with the unnecessary and unproductive squabbles that had resulted in so much uncertainty, confusion and dissipated energy. Corporate assets, resources, time and energy will now be focused and fully dedicated towards sustaining value added and growing the Company.



High on the priority list would be the need, this time around, together as a solid team at all levels, to recharge and re-empower human resources and managerial capabilities and release total energies for higher performance and greater achievements. At the Board level, we are determined, at all times, to dedicate the power and authority vested in us responsibly and responsively.

Our first task will be to 'create' a corporate climate within which all productive members of the Company team will be given the space, encouragement and means, as well as full access to assets and corporate resources, to enable them to release energies and express their full potential and talent. The same climate should, in the end, ensure the expansion and enrichment of careers of all productive members of the team involved. For we are firm in the belief that, in the final analysis, it is only through 'growing' our people that we can grow the Company.

Obviously, QSR Group would not have become Number 1 in the quick service restaurants business in the region without the present availability of strong, talented, outstanding and capable personalities at all levels. We have every intention to build on these very strong foundations going forward, and are very excited indeed by the opportunities, challenges and possibilities that lie ahead.



**Tan Sri Dato' Muhammad Ali Hashim**

*Chairman*



**Ahamad Mohamad**

*Deputy Chairman*

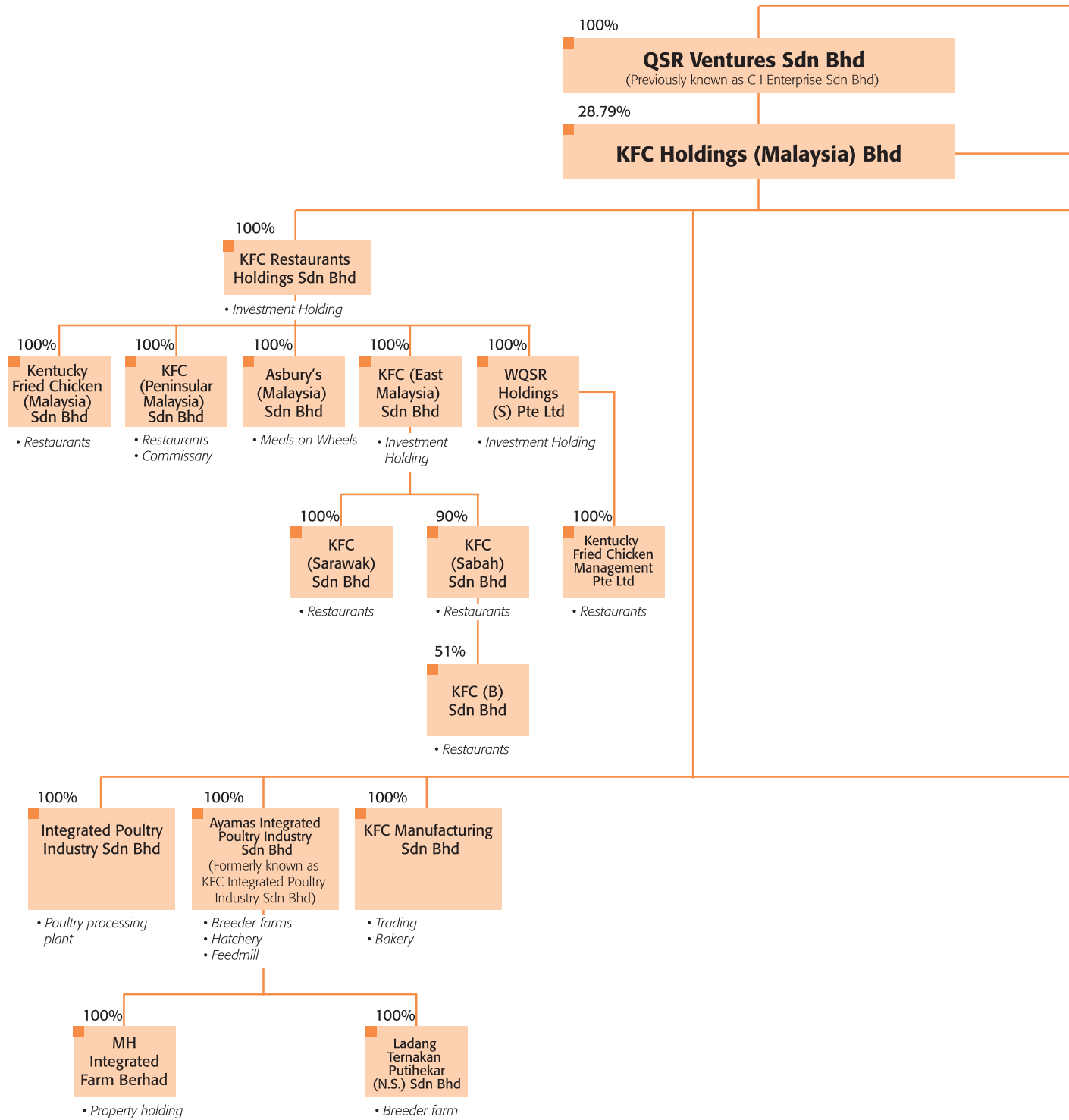


**Jamaludin Md Ali**

*Managing Director*

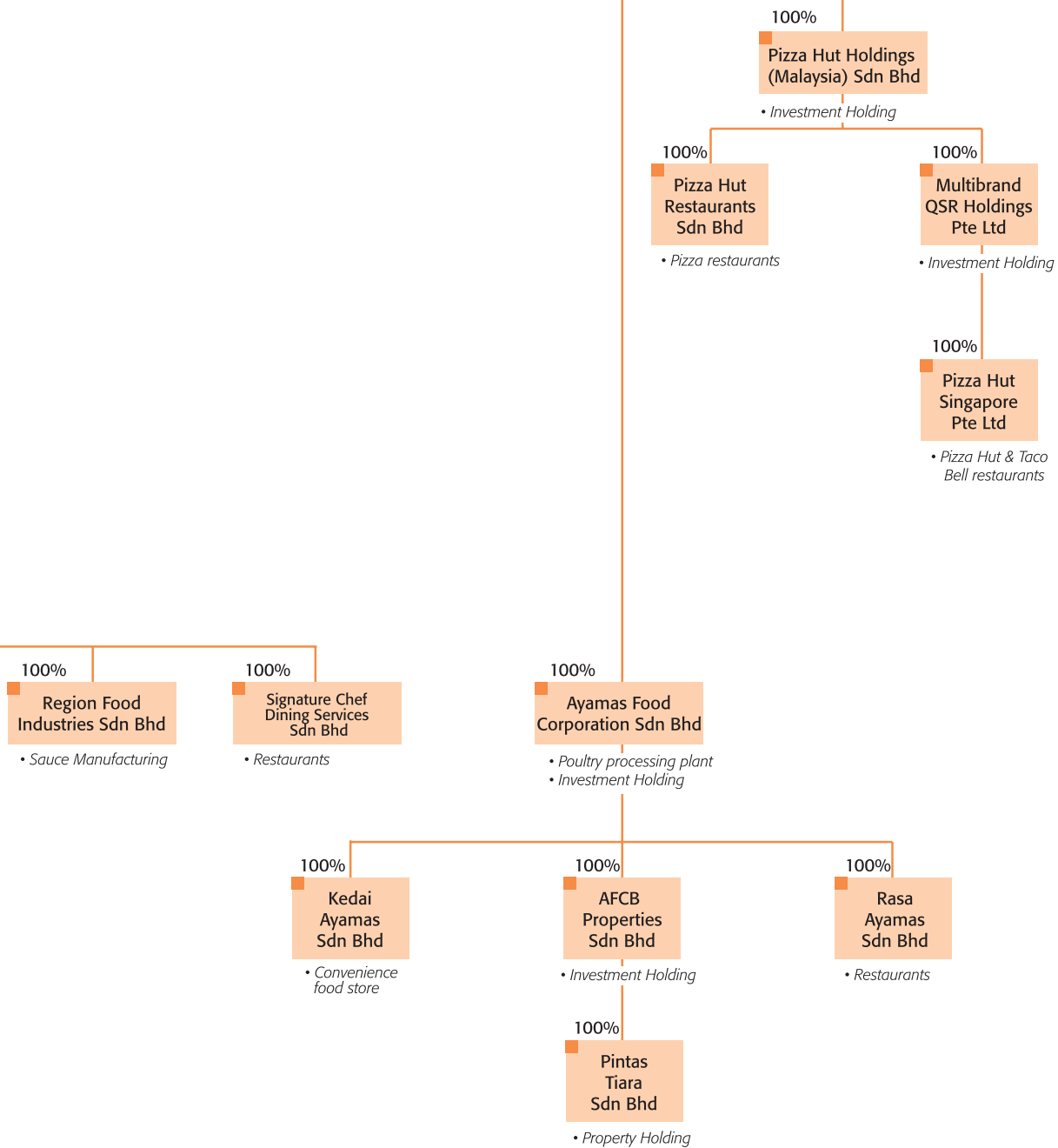


# Group Structure

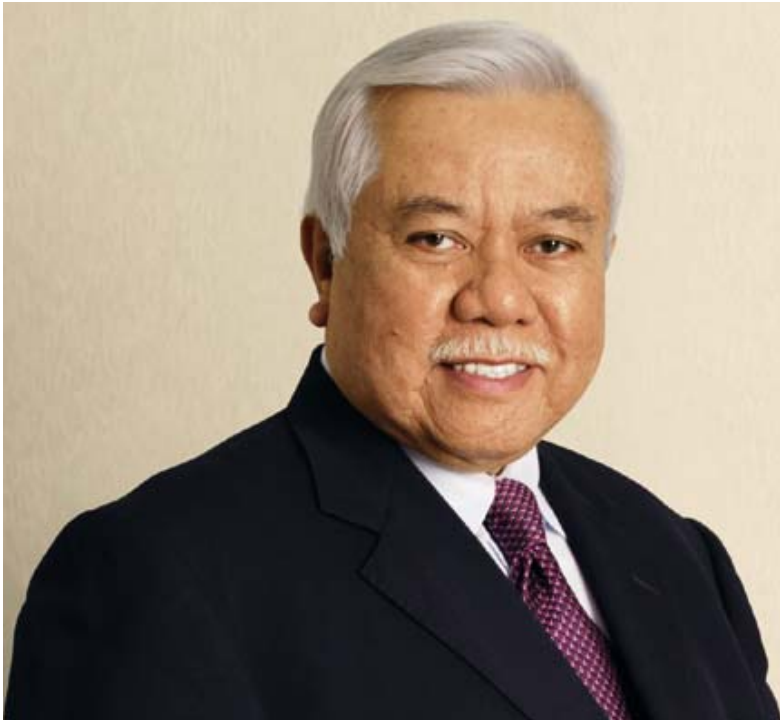


# QSR BRANDS BHD

4.04%  
Aggregate = 32.83%



## Profile of Directors



**Y. Bhg. Tan Sri Dato' Muhammad Ali bin Hashim**

**Chairman**

*Non Independent Non Executive Director*

Aged 59, is a non-independent non executive director and the Chairman of QSR Brands Bhd. Tan Sri was appointed to the Board on 7 June 2006.

Tan Sri is the Group Chief Executive of Johor Corporation (JCorp) since January 1982. He graduated from the University of Malaya with a Bachelor of Economics (Honours) degree in 1969 and participated in the Senior Executive Programme, Stanford University USA, in 1985. Tan Sri was conferred the Honorary Doctor of Management by Universiti Teknologi Malaysia on 19 August 2000.

Tan Sri's charismatic personality, entrepreneurial verve and visionary leadership has built JCorp into a leading Malaysian conglomerate involved in several business sectors such as Agrobusiness, Healthcare, Timber, Entrepreneur Venture, Real Estate, Property and Hotels and Industrial Development.

JCorp, has successfully managed Malaysia's first 'privatised' local authority, namely the Pasir Gudang Local Authority (PGLA), with Tan Sri as President since January 1982. JCorp was the single most important agency responsible for Pasir Gudang's development into one of Malaysia's most vibrant industrial townships. PGLA recently made history by becoming the first business-driven Local Authority in Malaysia to issue a Mudharabah Bond rated triple 'A' by Ratings Agency Malaysia (RAM).

JCorp, under the leadership of Tan Sri has won many awards, including the prestigious Inaugural Prime Minister's Quality Awards For Public Sector in 1990. He was named Director of the Year for 1995 by the Malaysian Institute of Directors for his commitment towards quality, entrepreneurial effort and professionalism. He has also won the Property CEO of the Year 2005 Award conferred by the International Real Estate Federation (FIABCI-Malaysia).

Tan Sri sits as Chairman of Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Sindora Berhad and Johor Land Berhad, which are JCorp's subsidiaries listed on the Main Board of the Bursa Malaysia Securities Berhad. He was appointed as a Director of KFC Holdings (Malaysia) Bhd (KFCH) on 27 June 2006 and was appointed as the Chairman of KFCH on 2 July 2006. Tan Sri is also active as Council Member of the Malaysian Industrial Development Authority (MIDA), Vice President of the Malaysian Islamic Chamber of Commerce ("MICC") and Chairman of the MICC Corporate Bureau, President Malaysian Kite Council and Chairman of Kumpulan Waqaf An-Nur Berhad, a charitable organisation extending healthcare services to the poor and the needy. He is also chairman and/or director of several other companies.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. He has no personal interest in any business arrangement involving QSR. He has no conviction for any offences within the past 10 years.

**Ahamad bin Mohamad**

***Deputy Chairman***

*Non Independent Non Executive Director*



Aged 52, is a non independent and non executive director and the Deputy Chairman of QSR Brands Bhd. He was appointed to the Board on 7 June 2006. He graduated with a Bachelor of Economics (Honours) degree in 1976 from the University of Malaya. He joined JCorp in June 1979 as a Company Secretary for various companies within the JCorp Group and was involved in many of JCorp projects, among them, the Johor Specialist Hospital, prefabricated housing project and the Kotaraya Complex in Johor Bahru. At present, he is the Chief Executive of the Agro Business Division of JCorp. He is presently the Managing Director of Kulim (Malaysia) Berhad and a member of the Board of Directors of Johor Land Berhad, KPJ Healthcare Berhad and New Britain Palm Oil Limited (Papua New Guinea). He was appointed as a Director of KFC Holdings (Malaysia) Bhd (KFCH) on 27 June 2006 and as the Deputy Chairman of KFCH on 2 July 2006. He is also a Director of several other companies within the JCorp Group.

He is the chairman of the Executive Committee of QSR Brands Bhd.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. He has no personal interest in any business arrangement involving QSR. He has no conviction for any offences within the past 10 years.

## Profile of Directors (contd.)



**Jamaludin bin Md Ali**

*Managing Director*

Aged 48, is the Managing Director of QSR Brands Bhd. He was appointed to the Board on 7 June 2006.

He graduated with a Bachelor of Economics (Honours) degree from University of Malaya in 1982 and Master of Business Administration from University of Strathclyde, Glasgow Scotland in 1987. He started his career with a local commercial bank as Trainee Officer in 1982 and later served as International Fund Manager in one of the leading investment houses in 1991. He joined JCorp in 1992 and was appointed the Managing Director of Johor Capital Holdings Sdn Bhd in 1998. He was appointed the Managing Director of Pelaburan Johor Berhad in 2000. Before his appointment as the Managing Director, he was the Chief Operating Officer of JCorp since 2001. He is also a director of Kulim (Malaysia) Berhad, KPJ Healthcare Berhad and sits on the board of various companies within the JCorp Group. He was appointed as a Director of KFC Holdings (Malaysia) Bhd (KFCH) on 27 June 2006 and was appointed as the Managing Director of KFCH on 2 July 2006.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. He has no personal interest in any business arrangement involving QSR. He has no conviction for any offences within the past 10 years.

**Toh Chun Wah**  
*Executive Director/  
Group Chief Operating Officer*



Aged 49, was appointed as an Executive Director of QSR Brands Bhd on 2 June 2005 and re-designated as Group Executive Director/Group Chief Operating Officer on 28 July 2005 (*as at 28 June 2006, his designation is Executive Director / Group Chief Operating Officer*). He is also the Group Chief Operating Officer of KFC Holdings (Malaysia) Bhd (KFCH).

He is a holder of a Bachelor of Science (Economics) Honours degree; a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW); a Chartered Accountant of the Malaysian Institute of Accountants; and a Fellow member of the Malaysian Institute of Taxation.

He assumed various senior management positions, including that of Deputy President in the QSR Group and KFCH Group, prior to his appointment as the Group Executive Director/Group Chief Operating Office.

Save as disclosed in the Directors' Shareholding, Mr CW Toh is not related to any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past 10 years.

Mr CW Toh had attended all the ten (10) Board Meetings convened subsequent to his appointment as an Executive Director on 2 June 2005. The total Board Meetings of the Company held during the financial year ended 31 December 2005 was thirteen (13).

## Profile of Directors (contd.)



**Y. Bhg. Dato' Dr Ridzuan bin Mohd Akil**

*Independent Non Executive Director*

Aged 65, was appointed to the Board of QSR Brands Bhd on 25 February 2004. He holds a Bachelor of Commerce degree from the University of Birmingham (obtained in 1964), a Master of Economics degree from Universiti Malaya (obtained in 1967), and a Doctor of Philosophy degree (Ph.D) in Development Economics from the University of Hull (obtained in 1972) where he was also a Fellow in Southeast Asian Studies. Since 1973, he has been the Managing Director of RMA-Perunding Bersatu Sdn Bhd, a company involved in planning, management and economic research. He has undertaken numerous projects in Malaysia and overseas. He has undertaken assignments for the State and Federal Government of Malaysia, World Bank, Asian Development Bank, United Nations Development Organisation and various public companies. He has served as the Project Director and Chief Economist for their various projects in Malaysia, Indonesia and Brunei. He has completed an extensive study on the impact of Asean Free Trade Area (AFTA) on the poultry industry in the major Asean countries on behalf of the Government of Malaysia. His other business interests are motor trade and property development.

He is an Audit Committee Member of QSR Brands Bhd. He is not related to any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for offences within the past 10 years.

He attended seven (7) out of thirteen (13) Board Meetings of the Company held during the financial year ended 31 December 2005.

**YAM Dato' Seri Syed Amir Abidin  
Jamalullail Ibni Almarhum Tuanku Syed  
Putra Jamalullail**  
*Independent Non Executive Director*



Aged 56, was appointed to the Board of QSR Brands Bhd on 29 April 2005. He is a non-independent non executive director of the company. He holds a Diploma in Automobile Engineering from Exeter College, England in 1970. He began his career with Cycle & Carriage Bintang Berhad, an automobile sales company as an Engineer in workshop production, spare parts and sales of specialised vehicles from 1970 to 1980.

In 1981, he joined Maju Ria Sdn Bhd, a company specialising in defence equipment as a Director. Thereafter, he was Chairman and Director of Taylors College, Subang Jaya, Selangor Darul Ehsan from 1987 to 1988. In 1987, he was also made the Chairman of Garden International School. At present, he sits on the Board of Directors of several other private limited companies in Malaysia.

He is not related to any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for offences within the past 10 years.

## Profile of Directors (contd.)



**Kua Hwee Sim**

*Independent Non Executive Director*

Aged 53, was appointed to the Board on 7 June 2006. She is currently independent and non executive director of QSR Brands Bhd.

She is a Fellow of the Association of Chartered Certified Accountant (UK) and a Registered Accountant of Malaysia and Singapore. She has more than thirty years of corporate and financial experience in several industries within Malaysia and overseas. She is currently a Director of Kulim (Malaysia) Berhad, Johor Land Berhad and Sindora Berhad, which are JCorp's subsidiaries listed on the Main Board of the Bursa Malaysia Securities Berhad. She was appointed as a Director of KFC Holdings (Malaysia) Bhd (KFCH) on 27 June 2006. She is a member of Audit Committee of the respective listed company. As a professional Accountant she also provides financial training for Companies within Malaysia.

She is also the Chairman of the Audit Committee of the company. Other than as disclosed, she does not have any family relationship with any director and/or major shareholder of the Company. She has no personal interest in any business arrangement involving QSR. She has no conviction for any offences within the past 10 years.

A portrait of Wong Seng Lee, a middle-aged man with short dark hair and glasses, wearing a dark suit, white shirt, and patterned tie. He is smiling slightly and looking towards the camera. The background is a plain, light-colored wall.

**Wong Seng Lee**

*Non Independent Non Executive Director*

Aged 56, was appointed to the Board on 7 June 2006. He is currently a non executive non independent director of QSR Brands Bhd.

He is the Managing Director of Natural Oleochemicals Sdn Bhd, an oleochemicals manufacturer and a subsidiary of Kulim (Malaysia) Berhad. He qualified as a Certified Accountant in 1974 and is a Fellow of the Association of Chartered Certified Accountants. Prior to joining the Company, he worked as a Trainee Accountant with Granville Enthoven & Company Limited, London from 1972 to 1973. From 1974 to July 1979, he joined an international audit firm in Singapore and left to join EPA Management Sdn Bhd as an Accountant when he was an Audit Senior. He was previously the Financial Controller for Kulim (Malaysia) Berhad Group. He is presently the Executive Director Kulim (Malaysia) Berhad and also sits on the Board of subsidiaries of Natural Oleochemicals Sdn Bhd, Kulim and EPA Management Sdn. Bhd.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. Save and except for rental of properties at 118, 119 & 120 Jalan Besar Yong Peng, Johor to an associate company KFC (Peninsular Malaysia) Sdn Bhd, he has no personal interest in any business arrangement involving QSR. He has no conviction for any offences within the past 10 years.

## Profile of Directors (contd.)



**Sheik Sharufuddin bin Sheik Mohd**

*Non Independent Non Executive Director*

Aged 52, was appointed to the Board on 7 June 2006. He is currently a non executive non independent director of QSR Brands Bhd.

He is a qualified Accountant since 1982 and is a member of the Chartered Association of Certified Accountant, United Kingdom and member of the Malaysian Institute of Accountants. He started his career as a Trainee Auditor in 1976 with an accounting firm in Malaysia and left in 1978 to do Accountancy in the United Kingdom. He has been with EPA Management Sdn. Bhd and Kulim (Malaysia) Berhad since 1982. Over these years he has held various Financial and Corporate section positions within the Group. He is presently the Chief Financial Controller of Kulim (Malaysia) Berhad. He also sits on the Board of New Britain Palm Oil Limited and on the Boards of Subsidiaries of Kulim and EPA Management Sdn. Bhd.

He is an Audit Committee Member of QSR Brands Bhd. Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. He has no personal interest in any business arrangement involving QSR. He has no conviction for any offences within the past 10 years.

**Mohammad bin Alwi**

*Non Independent Non Executive Director*



Aged 42, was appointed to the Board on 7 June 2006. He is currently a non independent non executive director of QSR Brands Bhd.

Presently he is the General Manager of COO Office of Kulim (Malaysia) Bhd since January 2006. He is a qualified accountant and a Fellow of the Chartered Association of Certified Accountant (UK) - ACCA. Over the years he has held various Financial and Corporate section positions in several public listed companies before joining Kulim (Malaysia) Berhad.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. He has no personal interest in any business arrangement involving QSR. He has no conviction for any offences within the past 10 years.

## Profile of Directors (contd.)



**Idham Jihadi bin Abu Bakar**

*Non Independent Non Executive Director*

Aged 39, was appointed to the Board on 7 June 2006. He is currently a non executive non independent director of QSR Brands Bhd.

He is a qualified Company Secretary since 1992 and is an Associate of the Institute of Chartered Secretaries and Administrators. He joined the JCorp in 1992 as an Administrative Officer and was later appointed as the Manager of Corporate Affair Department of JCorp in 2002. In the same year, he was also appointed as the Company Secretary of Kulim (Malaysia) Berhad. He is also a Company Secretary of KPJ Healthcare Berhad, Johor Land Berhad and several other Companies within JCorp Group of Companies. He was appointed as the Joint Company Secretary of KFC Holdings (Malaysia) Bhd (KFCH) on 2 July 2006.

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of the Company. He has no personal interest in any business arrangement involving QSR. He has no conviction for any offences within the past 10 years.

# Corporate Information

## BOARD OF DIRECTORS

Y. Bhg. Tan Sri Dato' Muhammad Ali bin Hashim  
*Chairman*  
*Non Independent Non Executive Director*

Ahamad bin Mohamad  
*Deputy Chairman*  
*Non Independent Non Executive Director*

Jamaludin bin Md Ali  
*Managing Director*

Toh Chun Wah  
*Group Executive Director/Group Chief Operating Officer*  
*(As at 28 June 2006, his designation is Executive Director / Group Chief Operating Officer)*

Y. Bhg. Dato' Dr Ridzuan bin Mohd Akil  
*Independent Non Executive Director*

YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum  
Tuanku Syed Putra Jamalullail  
*Independent Non Executive Director*

Kua Hwee Sim  
*Independent Non Executive Director*

Wong Seng Lee  
*Non Independent Non Executive Director*

Sheik Sharufuddin bin Sheik Mohd  
*Non Independent Non Executive Director*

Mohammad bin Alwi  
*Non Independent Non Executive Director*

Idham Jihadi bin Abu Bakar  
*Non Independent Non Executive Director*

## EXECUTIVE COMMITTEE

**Chairman**  
Ahamad bin Mohamad

**Members**  
Jamaludin bin Md Ali

Toh Chun Wah

Sheik Sharufuddin bin Sheik Mohd

## SYARIAH ADVISORY COUNCIL

Y. Bhg. Tan Sri Dato' Muhammad Ali bin Hashim  
Ahamad bin Mohamad

Y. Bhg. Tan Sri Dato' Abdul Kader Bin Talip

Y. Bhg. Datuk Dr. Abdul Monir Yaacob

Prof. Dato' Dr. Abdul Shukor Hj. Husin

Y. Bhg. Dato' Haji Abdul Majid Bin Omar

Y. Bhg. Dato' Haji Md Hashim Bin Yahaya

Y. Bhg. Dato' Haji Hassan Haji Ahmad

Dr. Yaakob Che Man

Mohamad Haji Shafie

# Corporate Information (contd.)

## AUDIT COMMITTEE

### Chairman

Kua Hwee Sim

### Members

Y. Bhg. Dato' Dr Ridzuan bin Mohd Akil  
Sheik Sharufuddin bin Sheik Mohd

## COMPANY SECRETARY

Mohd Zam bin Mustaman  
(LS 000902)

## AUDITORS

Ernst & Young, Chartered Accountants  
Level 23A, Menara Milenium, Jalan Damanlela  
Pusat Bandar Damansara, 50490 Kuala Lumpur

## PRINCIPAL BANKERS

Bumiputra Commerce Bank Berhad  
Citibank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
Southern Bank Berhad

## SOLICITORS

Messrs Saiful Kasri & Associates  
Messrs Kadir Andri & Partners  
Messrs Azmi & Associates  
Messrs Zainal Abidin & Co

## REGISTERED OFFICE

Pro Corporate Management Services Sdn Bhd  
Level 2, Block A (North)  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Tel: 603 20870200 Fax: 603 20870300

## REGISTRAR & TRANSFER OFFICE

Epsilon Registration Services Sdn Bhd  
312, 3rd Floor,  
Block C, Kelana Square,  
17, Jalan SS 7/26,  
47301 Petaling Jaya,  
Selangor Darul Ehsan  
Tel: 603 78031126 Fax: 603 78061387

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad, Main Board

# Executive Committee

The Board of Directors (the "Board") has appointed an Executive Committee ("EXCO"), which comprises of both executive and non-executive directors.

The following are the members of the EXCO:

Ahamad bin Mohamad

*Chairman*

Jamaludin bin Md Ali

*Managing Director*

Toh Chun Wah

*Group Executive Director/Chief Operating Officer*

*(As at 28 June 2006, his designation is Executive Director / Group Chief Operating Officer)*

Sheik Sharufuddin bin Sheik Mohd

*Non Executive Non Independent Director*

The functions of EXCO include the following:

- (a) Policy formulation and planning
- (b) Perform strategic and corporate planning
- (c) Review and recommend authority levels or limits
- (d) Investment decisions up to certain pre-defined limits
- (e) Capital expenditure approvals up to defined limits
- (f) Approval of detailed operational budgets
- (g) Quarterly review of accounts and budgets
- (h) Selection of panel of contractors and consultants for future tenders for project commitments
- (i) Selection and recruitment of certain Senior Executives

# Corporate Governance Statement

## 1. INTRODUCTION

The Board of Directors (the "Board") of the Company recognizes that the practice of good corporate governance in conducting the business and affairs of the Group with integrity, transparency and professionalism are key components for the Group's continued growth and success. These will not only safeguard and enhance shareholders value but will at the same time ensure that the interests of other stakeholders are protected. The Board is pleased to disclose that the Company has adopted the Company Disclosure Policies and Procedures as recommended by the Task Force on Corporate Disclosure Best Practices. The Company has complied with the Best Practices in Corporate Governance embodied in Part 2 of the Malaysian Code on Corporate Governance (the "Code") and the statement below narrates how the Company has throughout the financial year ended 31 December 2005 applied the principles set out in Part 1 of the Code.

## 2. COMPOSITION OF THE BOARD OF DIRECTORS

The Board is led and managed by an experienced Board with a wide range of expertise. The Board is primarily responsible for charting the strategic direction of the Group. The Board meets at least four (4) times a year with additional meetings convened as and when necessary. The Board currently has 11 members comprising the Managing Director, Group Chief Operating Officer, 3 Independent Non-Executive Directors and 6 Non Independent Non Executive Directors. The Company will comply with the Bursa Securities Listing Requirements which require at least two directors or one-third of the total number of Directors, whichever is higher, to be Independent Directors within the 6 months time. The Board retains full and effective control of the Company. The Managing Director and the Executive Director have direct responsibilities for business operations whilst non-executive directors have the necessary skill and experience to bring independent judgments to bear on the issues relating to strategy, performance and resources. Key matters, such as approval of annual and interim results, acquisitions and disposals, material agreements, major capital expenditures, budgets and long term plans would require Board approval. To ensure that there is balance of power and authority, the roles of the Chairman/Deputy Chairman and the Managing Director and the Executive Director are separated and clearly defined. The Chairman/Deputy Chairman is primarily responsible for the orderly conduct and effectiveness of the Board whilst the Managing Director and the Executive Director are responsible for the operating units, organizational effectiveness and implementation of Board policies and decisions.

## 3. SUPPLY OF INFORMATION

Operation Meetings are held once a month during which the Managing Director and the Executive Director will be briefed by management on all operational aspects of the Group. During the meetings, they will be furnished with information on the progress of the operating units i.e. activities, performance, planned projects and problems arising so as to enable the former to participate in problem solving and decision-making process. Board Meetings are scheduled 4 times a year and additional meetings are held as and when required. The total number of Board Meetings held during the financial year was 13. The Directors are provided with adequate Board Papers together with the agenda and minutes of the previous meeting on a timely manner prior to the Board Meeting so as to give the Directors time to deliberate on the issues to be raised at the meeting. Directors have access to information within the Company and to the advice and services of the Group Company Secretary. The Directors may also obtain independent professional advice, in furtherance of their duties.

#### 4. APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment of Directors is the responsibility of the whole Board.

The Board newly appointed has yet to establish the Nomination Committee and will do so in due course.

In accordance with the Company's Articles of Association, one-third of the Directors shall retire at each Annual General Meeting and the retiring directors are eligible for re-election. Any Directors appointed during the year are subject to retirement and re-election at the next Annual General Meeting following their appointments. Newly appointed Directors are furnished with the necessary information to enable them to carry out their duties, which includes, inter-alia, information on the Group, the Board's role, powers delegated to various committees and financial information. This is supplemented by visits to key locations and meetings with key senior executives.

Except for Mohammad bin Alwi, Sheik Sharufuddin bin Sheik Mohd and Idham Jihadi bin Abu Bakar, all Board members have attended and completed the Mandatory Accreditation Programme ("MAP") as required by the Bursa Malaysia Securities Berhad. Directors are encouraged to attend seminars and/or conferences organized by relevant authorities and professional bodies to keep abreast with development in the market place. For the financial year ended 31 December 2005, the Company has conducted a training course on the following which form part of the MAP which include:

1. The Fiduciary Role, Statutory Duties & Obligations of Company Directors.
2. Regulatory Framework Governing Public Listed Companies including the Roles and Functions of Securities Commission and Bursa Malaysia Securities Berhad.
3. An Overview of the Listing Requirements of Bursa Malaysia Securities Berhad and Key Obligations of Public Listed Companies.
4. Law, Procedure and Proper Governance of General Meetings and Rights, Duties, Powers of Shareholders.
5. Regulation of the Securities Market - Insider trading, False Trading and Market Rigging.
6. Expectations on directors of public listed companies: A re-emphasis.
7. Understanding the Concept of Corporate Governance and the Malaysian Code of Corporate Governance.
8. The Audit Committee.
9. Risk Management, Internal Control and Internal Audit Functions.

#### 5. DIRECTORS' REMUNERATION

The remuneration framework for executive directors has an underlying objective of attracting and retaining directors needed to run the Company successfully. Remuneration packages of executive directors are structured to commensurate with corporate and individual's performance. The Non-Executive Directors are remunerated based on fixed annual fees approved by the shareholders of the Company. The Board has yet to establish the Remuneration Committee and will do so in due course.

The Committee's primary responsibility is to recommend to the Board, the remuneration of Directors (executive and non-executive) in all its forms. The determination of remuneration packages of Directors is a matter for the Board as a whole and individuals are required to abstain from discussion of their own remuneration.

# Corporate Governance Statement (contd.)

The details on the remuneration of the directors for the financial year ended 31 December 2005 are as follows:

	Basic Salary RM	Fees * RM	Allowance RM	Employer's EPF RM	Benefit -in-kind RM	Total RM
<b>FORMER EXECUTIVE DIRECTORS</b>						
YBhg Datuk Haji Izhar bin Sulaiman	308,000	–	71,711	46,200	47,000	472,911
YBhg Datuk Johari bin Abdul Ghani	308,000	–	68,211	46,200	47,000	469,411
	616,000	–	139,922	92,400	94,000	942,322
<b>EXECUTIVE DIRECTORS</b>						
Toh Chun Wah	–	–	–	–	–	–
Nurolamin bin Abas	–	–	1,000	–	–	1,000
	–	–	1,000	–	–	1,000
<b>NON-EXECUTIVE DIRECTORS</b>						
YBhg Tan Sri Dato' Nik Ibrahim Kamil bin Tan Sri Nik Ahmad Kamil	–	50,000	6,000	–	–	56,000
Umar bin Abdul Hamid	–	36,000	12,500	–	–	48,500
YBhg Dato' Dr Ridzuan bin Mohd Akil	–	46,500	6,500	–	–	53,000
Choong Show Tong	–	36,000	13,000	–	–	49,000
Yoong Nim Chor	–	36,000	14,000	–	–	50,000
YBhg Datuk Hilmi bin Haji Abdul Rashid	–	21,000	6,000	–	–	27,000
YBhg Datuk Haji Karim bin Marzuki	–	–	4,000	–	–	4,000
Mohd Harris bin Pardi	–	–	10,500	–	–	10,500
YAM Dato' Seri Diraja Syed Razlan Ibni Almarhum Tuanku Syed Putra Jamalullail	–	–	2,000	–	–	2,000
YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail	–	–	1,500	–	–	1,500
YBhg Tan Sri Dato' Dr Syed Jalaludin bin Syed Salim	–	–	500	–	–	500
Sarbjit Singh s/o Sarban Singh	–	–	6,000	–	–	6,000
	–	225,500	82,500	–	–	308,000

\* Provision - to be approved at the forthcoming AGM

## 6. SHAREHOLDER RELATIONSHIP

The Group recognizes the importance of keeping shareholders and investors informed of the Group's business and corporate development. Such information is disseminated via annual reports, quarterly financial results, circulars to shareholders and the various announcements released from time to time. The management holds discussions and dialogues with analysts and investors on a regular basis. During the discussions and dialogues, presentations based on permissible disclosures are made to the analysts and investors to provide details on the Group i.e. financial performance, any major developments and future plans. Apart from the mandatory requirement to make public announcements via the Bursa Securities, the Group also disseminates information through press releases on corporate events, product launches and any significant developments of the Group. In addition to the above, the Group has an interactive web-site available at <http://www.qsrbrands.com.my> to communicate with investors and the investing public. The web-site is being used as a forum to answer inquiries and provide information on the activities of the Group. The Annual General Meeting is the principal forum for dialogue and interaction with the shareholders of

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

## 7. ACCOUNTABILITY AND AUDIT

### Financial Reporting

In presenting the annual financial statements and quarterly announcements of results to the shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. Before the financial statements were drawn up, the Directors have taken the necessary steps to ensure that the Group had used all the applicable accounting policies consistently, and that the policies are supported by reasonable and prudent judgment and estimates. The Audit Committee assists the Board in ensuring the accuracy, adequacy and completeness of the information to be disclosed. The Statement by Directors pursuant to Section 169 of the Companies Act 1965 is set out in page 51 of the Annual Report. The quarterly reports, prior to tabling to the Board of Directors for approval, will be reviewed and approved by the Audit Committee.

### Internal Control

The Group's Statement on Internal Control is set out on page 42 of this Annual Report.

### Relationship with the Auditors

The Board via the establishment of an Audit Committee, maintains a formal and transparent relationship with the Company's auditors. The external auditors meet and report their findings to the Audit Committee pursuant to their audit for each financial year. The Group's internal audit department, reporting to the Audit Committee performs regular reviews of business processes to assess the effectiveness of internal controls and highlight significant risks impacting the Group. The Audit Committee conducts annual reviews on the adequacy of the internal audit department's scope of work and resources. The Report of the Audit Committee is set out in page 39 of the Annual Report.

## 8. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The provisions of the Companies Act, 1965 requires the directors to be responsible in preparing the financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of their results and cash flows for the financial year then ended. In complying with these requirements, the directors are responsible for ensuring that proper accounting records are maintained and suitable accounting policies are adopted and applied consistently. In cases whereby judgment and estimates were required, the directors have ensured that these were made prudently and reasonably. The Directors also ensured that all applicable accounting standards have been followed and confirmed that the financial statements have been prepared on a going concern basis. In addition, the Directors are also responsible for safeguarding the assets of the Company by taking reasonable steps to prevent and detect fraud and other irregularities.

# Additional Compliance Information

## 1. NON-AUDIT FEES

The amount of non-audit fees paid and payable to the external auditors and their affiliated company by the Group for the financial year ended 31 December 2005 is as follows:

	RM '000
Ernst & Young	47
Ernst & Young Tax Consultants Sdn Bhd	27
<b>Total</b>	<b>74</b>

## 2. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE ("RRPT")

Details of transactions with related parties undertaken by the Group during the financial year are disclosed on pages 92 and 93 of the financial statements.

## 3. MATERIAL CONTRACTS

Save for a Deed Poll dated 1 March 2004 executed by QSR constituting up to 49,749,497 QSR warrants, there were no material contracts (being contracts outside the ordinary course of business) entered by the Company or its subsidiaries involving directors and substantial shareholders during the financial year under review.

## 4. DISCLOSURE OF THE RESTRICTIVE COVENANT CLAUSE IN THE INTERNATIONAL FRANCHISE AGREEMENTS ("IFA") GOVERNING THE PIZZA HUT FRANCHISE

The operation of the Pizza Hut restaurants are governed by, the IFAs with the Franchisor, namely Yum! Restaurants Asia Pte Ltd.

The IFAS contain a restrictive clause which provides that the Franchisor may terminate the IFA by notice to the Franchisee effective upon receipt by the Franchisee of the notice, and/or adopt any of the remedies specified in the IFA, in the event the following occurs:

"...any direct or indirect acquisition by any person or entity acting in concert with others of more than fifteen (15%) of the voting shares of KFCH and/or QSR, whether by itself or with or through its affiliated companies or another person or entity or taken together with any previous transaction; and/or the ability of such person and persons acting in concert with him by virtue of their shareholding to amend any provisions of the Memorandum and Articles of Association of Franchisee and/or QSR or to have any ability to direct in the management or board of Franchisee and/or QSR; and/or such person(s) or entity does not (i) execute such shareholders' deed(s) and such other documentation in the form as Franchisor requires; or (ii) undertake that it will not sell, transfer, gift, charge or pledge any interest or share to any party; or (iii) comply with the terms of the IFA(s); and/or in opinion of Franchisor, such acquisition is likely to be detrimental to the business.."

# Audit Committee Report

The Board is pleased to present the report on the Audit Committee and its activities during the financial year ended 31 December 2005.

## COMPOSITION AND MEETINGS

The Audit Committee was established by the Board and comprises three (3) directors, the majority of whom are independent. During the financial year there were 4 Audit Committee meetings held and details of attendance are as follows:

Audit Committee Members	No. of meetings attended
Kua Hwee Sim Chairman/Independent and Non-Executive Director (Appointed on 23 June 2006)	n/a
Dato' Dr Ridzuan bin Mohd Akil Independent and Non-Executive Director	4/4
Sheik Sharufuddin bin Sheik Mohd Non Independent and Non-Executive Director (Appointed on 23 June 2006)	n/a

## TERMS OF REFERENCE

The Audit Committee is governed by the following terms of reference:

### Membership

1. The Committee members shall be appointed by the Board from among its numbers and their period of appointment shall be concurrent with their tenure on the Board.
2. The Committee shall comprise of not less than three members, the majority of whom are independent non-executive directors.
3. The Committee members shall elect a Chairman from amongst themselves who shall be an independent non-executive director.
4. At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three years' working experience and:
  - he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967, or
  - he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
5. No alternate director shall be appointed as a Committee member.
6. The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.
7. If a Committee member retires or resigns or for any reason ceases to be a member with the result that the number of members is reduced to below three, the Board shall within three months of that event appoint such number of new members as may be required to make up the minimum number of three members.

# Audit Committee Report (contd.)

## Duties and Responsibilities

1. To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as external auditors.
2. To discuss with the external auditor prior to the commencement of audit, the nature and scope of the audit, the audit plan and ensure co-ordination where more than one audit firm is involved.
3. To review the assistance extended by the employees to the external auditor.
4. To review the quarterly, half-yearly and year-end financial statements prior to the approval of the board, focusing on:
  - the going concern assumption
  - compliance with accounting standards and other legal and regulatory requirements
  - any changes in the accounting policies and practices
  - significant issues arising from the audit
5. To discuss problems and reservations arising from the interim and final audits, and any significant matter the external auditor may wish to discuss, where necessary, in the absence of management or any executive board member.
6. To review the external auditor's management letter, response from the management and the audit report.
7. To do the following with the internal audit function:
  - Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work.
  - Review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function.
  - Review and evaluate the effectiveness of the system of internal controls jointly with the external auditors.
  - Review any appraisal or assessment of the performance of members of the internal audit function.
  - Approve any appointment or termination of senior staff members of the internal audit function.
  - Keep itself informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning.
8. To review any related party transaction and conflict of interest situation that may arise within the company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
9. To consider the major findings of internal investigations and management's response.
10. In compliance with paragraph 15.17 of the Bursa Malaysia Securities Berhad (BMSB) Listing Requirements, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee shall promptly report such matter to the BMSB.
11. To perform any other functions as authorised by the Board.
12. The Committee reports its findings and makes appropriate recommendations for the Board's consideration and approval.

## Authority

The Committee shall have the following authority as empowered by the Board:

1. Explicit authority to investigate any matter within its terms of reference.
2. The resources that are required to perform its duties.

3. Full and unrestricted access to all records, information, properties and personnel.
4. Direct communication channels with the external auditors and persons carrying out the internal audit function.
5. Able to obtain independent professional advice at the company's expense and to invite outsiders with the relevant experience and expertise to attend the Committee's meetings if it considers this necessary.
6. Able to convene meetings with the external auditors excluding the attendance of the executive members of the Committee whenever deemed necessary.

### Meetings

1. The Committee shall meet not less than four times a year although additional meetings may be called at any time at the discretion of the Chairman of the Committee.
2. The quorum for Committee meetings shall be two members and the majority of the members present shall be independent non-executive directors.
3. The Company Secretary shall be in attendance at meetings of the Committee. Other board members, management and employees, external auditors may attend meetings upon the invitation of the Committee.
4. The Secretary shall send out notices of meetings, record the proceedings of meetings and circulate minutes among members of the Committee.

### ACTIVITIES DURING THE YEAR

The Audit Committee carried out the following activities during the year:

- Reviewed the quarterly financial result prior to announcement to BMSB and recommend to the Board for approval.
- Reviewed the annual audited financial statements and recommend to the Board for approval.
- Reviewed and approved the external auditors scope of work and audit plan prior to the commencement of audit.
- Discussed with the external auditors on significant matters arising from their examination of the annual financial statements, including compliance with applicable accounting standards issued by the Malaysian Accounting Standard Board.
- Reviewed and approved the Group internal audit plan for the year
- Deliberated on the internal audit reports that were tabled and appraised management's response to the key audit observations and recommendations.

### INTERNAL AUDIT FUNCTION

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

The GIAD's scope of work covers all the operating divisions of the Group and they performed their duties in accordance with the annual audit plan that was approved by the Audit Committee. As part of its audit strategies, the GIAD conducted risk evaluations, reviewed the adequacy and effectiveness of the system of internal controls, reviewed the extent of compliance with the Group's policies and procedures and regulatory requirements and also reviewed the business processes with the aim of improving the Group's operations.

GIAD issued twenty audit reports during the financial year.

# Statement on Internal Control

## INTRODUCTION

This Statement on Internal Control is made in accordance with the Malaysian Code on Corporate Governance and paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad Listing Requirements, which requires Malaysian public listed companies to make a statement about their state of internal control, as a Group, in their annual report.

## BOARD RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. This system of internal control is meant to safeguard shareholders' investments and the Group's assets and it covers financial, operational, compliance and regulatory controls.

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

## THE GROUP'S SYSTEM OF INTERNAL CONTROL

The Group's internal control system encompasses the Board and its various Board Committees with its specific terms of reference, executive management that is empowered and accountable for its actions and performance and supported by various monitoring and review procedures that are embedded in the Group's processes.

The Board believes that the Group should have a sound and adequate control environment for it to accomplish its business objectives and that these control processes should be reviewed regularly.

Towards this end and in line with its objective of raising the level of corporate governance and transparency, the Board and Management implemented certain changes in the Group's system of internal controls during the year.

### Reporting Structure

There is a formal organizational structure with delineated lines of authority, responsibility and accountability within the Group.

### Authorization limits

The Group Authority Limits established for revenue and capital expenditure were revised during the year. The revised Group Authority Limits now provide the Board with greater authority in the approval of major investments, acquisitions and disposal that have been appraised by its Management and EXCO.

### Performance monitoring

The Group's performance is monitored by Group Finance which prepares monthly management accounts that compares against the approved budget. The monthly management accounts are extended to EXCO members and are reviewed and deliberated by Management in its Monthly Operations Meeting.

Quarterly results are presented to the Board and Audit Committee to monitor the Group's progress towards achieving its objectives.

### Human resource

There are policies and procedures for recruitment, performance appraisals and promotion to ensure that suitably qualified and competent personnel are hired and retained. Some of these policies are presently being reviewed by Management. Group Human Resource and Training Department also takes on the task of equipping employees with the relevant and appropriate skills.

### Procurement and Disbursement

There is a centralized and coordinated Procurement function for major purchases, projects and maintenance expenditures that ensures adherence to approval procedures as well as to leverage on economies of scale. The Accounting and Disbursement functions are also centralized to ensure compliance with the established procedures and authorization limits.

Procedures relating to Group Procurement and Disbursement functions have been strengthened in concurrence with the revision of the Group Authority Limits.

### Legal and regulatory

The Group adheres strictly to health, safety, environmental and *halal* standards as enforced by the various authorities. Product safety and quality audits are conducted by the Quality Assurance function on an ongoing basis while the Syariah Council oversees *halal* related matters.

### Risk Management

The Risk Management Committee ("RMC") assists the Board in ensuring that the Group has an adequate and effective risk management practice. The composition of the RMC was changed during the year.

The RMC plays an active role in reviewing the principal risks of the Group that were escalated to its attention. The RMC reviewed the risks register and scorecard and also followed-up on Management's response on the status of implementation of action plans that were highlighted. The risk register and scorecard is updated on an ongoing basis and it is under the purview of the Internal Audit Department.

### Audit Committee and Internal Audit

The Audit Committee performs an oversight role in maintaining the integrity of the Group's system of internal control and it is assisted by the internal auditors. The activities of the Audit committee and internal audit are reported in the Audit committee report on pages 39 to 41.

## CONCLUSION

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

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# Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of its subsidiaries and associates are described in Note 14 and Note 15 to the financial statements respectively.

## RESULTS

	Group RM'000	Company RM'000
Profit before taxation	19,802	20,778
Taxation	(9,578)	(8,089)
Profit after taxation	<u>10,224</u>	<u>12,689</u>

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 5 to the financial statements.

## DIVIDENDS

The amount of dividends paid by the Company since 31 December 2004 were as follows:

	RM'000
In respect of the financial year ended 31 December 2004 as reported in the Directors' report of that year:	
First and final dividend of 4 sen less 28% taxation per share, on 238,102,190 ordinary shares, declared on 5 April 2005 and paid on 13 May 2005	<u>6,857</u>

In respect of the financial year ended 31 December 2005:

Interim dividend of 3 sen less 28% taxation per share, on 239,279,918 ordinary shares, declared on 25 August 2005 and paid on 30 September 2005	<u>5,169</u>
--	--------------

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 4 sen less 28% taxation per share on 239,288,318 ordinary shares, amounting to a total dividend payable of RM6,892,000 (2.88 sen net per share) will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2006.

# Directors' Report

(contd.)

## DIRECTORS

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

YBhg Tan Sri Dato' Nik Ibrahim Kamil bin Tan Sri Nik Ahmad Kamil	<i>(Appointed as Director on 24 March 2005 &amp; Chairman on 25 August 2005)</i>
Umar bin Abdul Hamid	<i>(Appointed as Director on 2 June 2005 &amp; Deputy Chairman on 25 August 2005)</i>
Toh Chun Wah	<i>(Appointed as Group Executive Director on 2 June 2005 &amp; Group Chief Operating Officer on 28 July 2005)</i>
Nurolamin bin Abas	<i>(Appointed as Director on 2 June 2005 &amp; Group Executive Director on 28 July 2005)</i>
YBhg Datuk Haji Izhar bin Sulaiman	<i>(Ceased as Group Executive Chairman on 28 July 2005)</i>
YBhg Dato' Dr Ridzuan bin Akil	
Choong Show Tong	<i>(Appointed on 29 April 2005)</i>
Yoong Nim Chor	<i>(Appointed on 29 April 2005)</i>
Razmi bin Alias	<i>(Appointed on 23 January 2006)</i>
Chai Sing Hong	<i>(Appointed on 24 April 2006)</i>
YBhg Datuk Johari bin Abdul Ghani	<i>(Ceased as Group Managing Director on 28 July 2005 &amp; vacation of office on 1 January 2006) *</i>
YB Dato' Hilmi bin Haji Abdul Rashid	<i>(Vacation of office on 1 January 2006) *</i>
YBhg Dato' Haji Karim bin Marzuki	<i>(Vacation of office on 1 January 2006) *</i>
Y.A.M. Dato' Seri Diraja Syed Razlan Ibni Almarhum Tuanku Syed Putra Jamalullail	<i>(Appointed on 24 March 2005 &amp; resigned on 30 December 2005)</i>
Sarbjit Singh s/o Sarban Singh	<i>(Appointed on 29 April 2005 &amp; resigned on 28 November 2005)</i>
Y.A.M. Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail	<i>(Appointed on 29 April 2005 &amp; vacation of office on 1 January 2006) *</i>
Mohd Harris bin Pardi	<i>(Appointed on 25 May 2005 &amp; resigned on 23 January 2006)</i>
YBhg Tan Sri Dato' Dr Syed Jalaludin bin Syed Salim	<i>(Appointed on 29 April 2005 &amp; resigned on 25 May 2005)</i>

\* Has become vacant ipso facto as at 1 January 2006 by virtue of Article 100(g) of the Articles of Association of the Company due to non attendance of more than 50% of the total Board of Directors' meetings held during the financial year ended 31 December 2005.

## DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 9 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 32 to the financial statements.

# Directors' Report

(contd.)

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year, in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1.00 Each			31 December 2005
	1 January 2005	Bought	Sold	
<b>The Company</b>				
<b>Direct Interest</b>				
Toh Chun Wah	553,419 *	–	–	553,419
YBhg Datuk Haji Izhar bin Sulaiman	4,598,500	1,251,100	3,877,100	1,972,500
YBhg Datuk Johari bin Abdul Ghani	5,793,310	–	5,793,310	–
<b>Indirect Interest</b>				
YBhg Tan Sri Dato' Nik Ibrahim Kamil bin Tan Sri Nik Ahmad Kamil	47,035,510 *	–	–	47,035,510
YBhg Datuk Haji Izhar bin Sulaiman	24,376,636	28,755,300	53,131,936	–
YBhg Datuk Johari bin Abdul Ghani	10,909,535	–	9,909,535	1,000,000
<b>The Associate</b>				
<b>KFC Holdings (Malaysia) Bhd</b>				
<b>Direct Interest</b>				
YBhg Datuk Haji Izhar bin Sulaiman	122,500	–	–	122,500
YBhg Datuk Johari bin Abdul Ghani	10,000,000	–	10,000,000	–
<b>Indirect Interest</b>				
Toh Chun Wah	5,000 *	–	–	5,000
<b>Number of Warrants</b>				
	1 January 2005	Bought	Sold	31 December 2005
<b>The Company</b>				
<b>Direct Interest</b>				
Toh Chun Wah	10,532 *	–	–	10,532
YBhg Datuk Haji Izhar bin Sulaiman	1,785,000	–	1,703,900	81,100
YBhg Datuk Johari bin Abdul Ghani	3,375,000	–	3,375,000	–
<b>Indirect Interest</b>				
YBhg Datuk Haji Izhar bin Sulaiman	634,293	–	634,293	–

\* At date of appointment

YBhg Tan Sri Dato' Nik Ibrahim Kamil bin Tan Sri Nik Ahmad Kamil by virtue of his interests in the shares of the Company is also deemed interested in the shares of all the Company's subsidiaries to the extent the Company has an interest.

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

# Directors' Report

(contd.)

## ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM196,698,439 to RM239,288,318 by way of the issuance of 42,589,879 new ordinary shares of RM1.00 each upon the conversion of 3,284,066 and 39,305,813 warrants at the exercise price of RM1.13 and RM1.19 each respectively. The share premium of RM7,895,033 arising from the issuance of the shares at the exercise prices above the nominal value of RM1.00 each share has been credited to the share premium account.

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

## WARRANTS

The main features of the warrants are disclosed in Note 26 to the financial statements.

## EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The ESOS had been approved by the Securities Commission and became effective on 8 July 2004. At the date of this report, the Scheme is in the process of being implemented.

## OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

# Directors' Report

(contd.)

## OTHER STATUTORY INFORMATION (contd.)

(e) As at the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## CORPORATE PROPOSAL

The Company's corporate proposal is disclosed in Note 33 to the financial statements.

## AUDITORS

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

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

Tan Sri Dato' Nik Ibrahim Kamil bin Tan Sri Nik Ahmad Kamil  
Chairman

Nurolamin bin Abas  
Group Executive Director

Kuala Lumpur, Malaysia  
28 April 2006

# Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Nurolamin bin Abas and Choong Show Tong, being two of the Directors of QSR Brands Bhd, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 53 to 97 are drawn up in accordance with applicable Malaysian Financial Reporting Standards and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

Nurolamin bin Abas  
Group Executive Director

Choong Show Tong  
Director

Kuala Lumpur, Malaysia  
28 April 2006

# Statutory Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Chin Kok Sang, being the Officer primarily responsible for the financial management of QSR Brands Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 53 to 97 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Chin Kok Sang  
at Kuala Lumpur in the Federal Territory  
on 28 April 2006.

Chin Kok Sang  
Chief Financial Officer

Before me

Maisharah binti Abu Hasan (W181)  
Commissioner for Oaths

# Report of the Auditors

To the members of QSR Brands Bhd

We have audited the accompanying financial statements set out on pages 53 to 97. These financial statements are the responsibility of the Company's Directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Malaysian Financial Reporting Standards so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

**Ernst & Young**  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
28 April 2006

**Mohd Sukarno bin Tun Sardon**  
No. 1697/03/07 (J)  
Partner

# Income Statements

For the year ended 31 December 2005

	Note	Group		Company	
		1.1.2005 to 31.12.2005 RM'000	1.4.2004 to 31.12.2004 RM'000	1.1.2005 to 31.12.2005 RM'000	1.1.2004 to 31.12.2004 RM'000
Revenue	3	386,146	262,796	1,000	1,400
Cost of sales	4	(113,449)	(78,949)	–	–
Gross profit		272,697	183,847	1,000	1,400
Other income		20,281	11,491	33,257	69,905
Gain on disposal of investment		–	113,930	–	63,930
Distribution costs		(222,090)	(131,337)	–	–
Administrative expenses		(27,694)	(43,288)	(4,398)	(2,055)
Other expenses	5	(3,451)	(5,467)	(1,750)	(5,000)
Finance costs	6	(9,570)	(5,725)	(7,331)	(4,241)
Share of results of associates		(10,371)	13,901	–	–
Profit before taxation	7	19,802	137,352	20,778	123,939
Taxation	10	(9,578)	(5,128)	(8,089)	(18,400)
Profit after taxation		10,224	132,224	12,689	105,539
Earnings per share (sen)					
Basic	11	4.46	87.49		
Diluted	11	4.38	76.82		
Net dividend per share in respect of the year (sen)					
	12	5.04	2.88	5.04	2.88

The Group commenced operations on 1 April 2004 upon the completion of the Reorganisation Scheme (Note 14). Accordingly, comparative amounts for the Income Statements are for a nine (9) month period.

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

# Balance Sheets

As at 31 December 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	89,667	83,738	–	–
Investments in subsidiaries	14	–	–	125,346	115,346
Investments in associates	15	306,915	325,092	28,612	27,057
Intangible assets	16	57,690	56,718	–	–
Fixed deposit	17	20,000	–	20,000	–
		<b>474,272</b>	<b>465,548</b>	<b>173,958</b>	<b>142,403</b>
<b>CURRENT ASSETS</b>					
Properties held for sale	18	1,151	–	–	–
Inventories	19	14,039	12,895	–	–
Trade receivables	20	234	1,217	–	–
Other receivables	21	18,534	16,691	279,478	262,033
Cash and bank balances	22	84,853	29,801	29,594	1,744
		<b>118,811</b>	<b>60,604</b>	<b>309,072</b>	<b>263,777</b>
<b>CURRENT LIABILITIES</b>					
Trade payables	23	16,296	13,079	–	–
Other payables	24	33,415	39,898	3,267	453
Tax payable		2,844	183	–	–
Bank borrowings	25	7,336	109,108	–	103,479
		<b>59,891</b>	<b>162,268</b>	<b>3,267</b>	<b>103,932</b>
Net Current Assets/(Liabilities)		<b>58,920</b>	<b>(101,664)</b>	<b>305,805</b>	<b>159,845</b>
		<b>533,192</b>	<b>363,884</b>	<b>479,763</b>	<b>302,248</b>
<b>EQUITY AND LIABILITIES:</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	26	239,288	196,698	239,288	196,698
Other reserves	27	8,516	(315)	7,977	82
Retained earnings	28	130,351	132,153	106,131	105,468
		<b>378,155</b>	<b>328,536</b>	<b>353,396</b>	<b>302,248</b>
Long term borrowings	25	148,375	30,022	126,367	–
Deferred taxation	29	6,662	5,326	–	–
Non-current liabilities		155,037	35,348	126,367	–
		<b>533,192</b>	<b>363,884</b>	<b>479,763</b>	<b>302,248</b>

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

# Statements of Changes in Equity

For the year ended 31 December 2005

Group	Note	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					Total RM'000
		Share capital RM'000	Share premium (Note 27) RM'000	Exchange fluctuation reserve (Note 27) RM'000	Revaluation reserve (Note 27) RM'000	Retained earnings (Note 28) RM'000	
At 1 April 2004		*	–	–	–	(71)	(71)
Translation differences		–	–	(397)	–	–	(397)
Profit for the period		–	–	–	–	132,224	132,224
Issuance of share capital							
- share and warrant swap		196,070	–	–	–	–	196,070
- conversion of warrants		628	82	–	–	–	710
At 31 December 2004		196,698	82	(397)	–	132,153	328,536
At 1 January 2005		196,698	82	(397)	–	132,153	328,536
Translation differences		–	–	340	–	–	340
Profit for the year		–	–	–	–	10,224	10,224
Issuance of share capital							
- conversion of warrants		42,590	7,895	–	–	–	50,485
Revaluation surplus (net of deferred tax) on land and buildings		–	–	–	596	–	596
Dividends	12	–	–	–	–	(12,026)	(12,026)
At 31 December 2005		239,288	7,977	(57)	596	130,351	378,155
<b>Company</b>							
At 1 January 2004		*	–	–	–	(71)	(71)
Profit for the year		–	–	–	–	105,539	105,539
Issuance of share capital							
- share and warrant swap		196,070	–	–	–	–	196,070
- conversion of warrants		628	82	–	–	–	710
At 31 December 2004		196,698	82	–	–	105,468	302,248
At 1 January 2005		196,698	82	–	–	105,468	302,248
Profit for the year		–	–	–	–	12,689	12,689
Issuance of share capital							
- conversion of warrants		42,590	7,895	–	–	–	50,485
Dividends	12	–	–	–	–	(12,026)	(12,026)
At 31 December 2005		239,288	7,977	–	–	106,131	353,396

\* Denotes RM2

The Group commenced operations on 1 April 2004 upon the completion of the Reorganisation Scheme (Note 14). Accordingly, comparative amounts for the Statements of Changes in Equity are for a nine (9) month period.

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

# Cash Flow Statements

For the year ended 31 December 2005

	Group		Company	
	1.1.2005 to 31.12.2005 RM'000	1.4.2004 to 31.12.04 RM'000	1.1.2005 to 31.12.2005 RM'000	1.1.2004 to 31.12.2004 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	19,802	137,352	20,778	123,939
Adjustments for:				
Amortisation of franchise fees	771	394	-	-
Depreciation	17,377	12,620	-	-
Interest expense	9,570	5,725	7,331	4,241
Loss on disposal of property, plant and equipment	1,590	467	-	-
Dividend income from				
- unquoted subsidiaries	-	-	(26,500)	-
- associate	-	-	(1,586)	(404)
- investment	-	-	-	(69,444)
Interest income	(3,157)	(568)	(5,171)	(57)
Gain on disposal of investment	-	(113,930)	-	(63,930)
Impairment loss on properties held for sale	33	-	-	-
Share of results of associates, net of tax	10,371	(13,901)	-	-
Operating profit/(loss) before working capital changes	56,357	28,159	(5,148)	(5,655)
Inventories	(1,144)	(5,434)	-	-
Receivables	1,487	(4,301)	955	(2,262)
Subsidiaries	-	-	(19,045)	(258,614)
Payables	(3,266)	(249,411)	2,814	377
Cash generated from/(used in) operations	53,434	(230,987)	(20,424)	(266,154)
Interest paid	(9,570)	(5,725)	(7,331)	(4,241)
Taxation paid	(8,160)	(4,100)	-	-
Net cash generated from/(used in) operating activities	35,704	(240,812)	(27,755)	(270,395)

# Cash Flow Statements

For the year ended 31 December 2005 (contd.)

	Group		Company	
	1.1.2005 to 31.12.2005 RM'000	1.4.2004 to 31.12.04 RM'000	1.1.2005 to 31.12.2005 RM'000	1.1.2004 to 31.12.2004 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(26,055)	(22,930)	–	–
Purchase of additional shares in associate	(1,555)	(27,057)	(1,555)	(27,057)
Proceeds from disposal of property, plant and equipment	803	4,784	–	–
Franchise fees	(1,743)	(1,489)	–	–
Acquisition of/Investment in subsidiaries	–	(99,005)	(10,000)	(115,346)
Proceeds from disposal of investment	–	260,000	–	260,000
Interest received	3,157	568	5,171	57
Exchange translation adjustments	340	(397)	–	–
Net dividends received from				
- unquoted subsidiaries	–	–	19,500	–
- associate	9,361	6,866	1,142	291
- investment	–	50,000	–	50,000
<b>Net cash (used in)/generated from investing activities</b>	<b>(15,692)</b>	<b>171,340</b>	<b>14,258</b>	<b>167,945</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of shares	50,485	710	50,485	710
Drawdown of bank borrowings	126,367	103,479	126,367	103,479
Repayment of term loan	(109,786)	(4,921)	(103,479)	–
Placement of fixed deposit	(20,000)	–	(20,000)	–
Payment of dividends	(12,026)	–	(12,026)	–
<b>Net cash generated from financing activities</b>	<b>35,040</b>	<b>99,268</b>	<b>41,347</b>	<b>104,189</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>55,052</b>	<b>29,796</b>	<b>27,850</b>	<b>1,739</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>29,801</b>	<b>5</b>	<b>1,744</b>	<b>5</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 22)</b>	<b>84,853</b>	<b>29,801</b>	<b>29,594</b>	<b>1,744</b>

The Group commenced operations on 1 April 2004 upon the completion of the Reorganisation Scheme (Note 14). Accordingly, comparative amounts for the Cash Flow Statements are for a nine (9) month period.

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

# Notes to The Financial Statements

31 December 2005

## 1. CORPORATE INFORMATION

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and was listed on the Main Board of Bursa Malaysia Securities Berhad on 1 April 2004. The registered office of the Company is located at Level 20, Wisma KFC, No. 17 Jalan Sultan Ismail, 50250 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 April 2006.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise disclosed in significant accounting policies and comply with the provisions of the Companies Act, 1965 and applicable Malaysian Financial Reporting Standards.

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

### (b) Changes in Accounting Policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in previous financial year, except for the following changes in accounting policies:

#### (i) Early adoption of new Financial Reporting Standards ("FRSs")

On 1 January 2005, the Group adopted the following new FRSs in advance of its effective date of 1 January 2006.

- FRS 3 (revised), Business Combinations, FRS 136 (revised), Impairment of Assets and FRS 138, Intangible Assets
- FRS 5, Non-Current Assets Held for Sale and Discontinued Operations

#### a) *FRS 3 (revised), Business Combinations, FRS 136 (revised), Impairment of Assets and FRS 138, Intangible Assets*

The adoption of FRS 3 (revised) and FRS 136 (revised) did not result in any significant change in accounting policies on the treatment of goodwill and any effect on opening balances of retained earnings.

The useful lives of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Until 31 December 2004, intangible assets were considered to have a finite useful life with a rebuttable presumption that its life would not exceed twenty years from the date when the asset was available for use. In accordance with FRS 138, certain intangible assets such as goodwill on consolidation were considered to have an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

The adoption of FRS 138 does not give rise to any significant change in accounting policies and any adjustments to the opening balances of retained earnings of the prior or current year.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (b) Changes in Accounting Policies (contd.)

#### (i) Early adoption of new Financial Reporting Standards ("FRSs") (contd.)

##### *b) FRS 5, Non-Current Assets Held for Sale and Discontinued Operations*

The Group has applied FRS 5 prospectively in accordance with its transitional provisions, which has resulted in a change in accounting policy on the recognition of a discontinued operation. Prior to 1 January 2005, under the previous FRS 135, the Group would have recognised a discontinued operation at the earlier of the date the Group enters into a binding sale agreement and the date the Board of Directors have approved and announced a formal disposal plan. FRS 5 required a component of an entity to be classified as discontinued when the criteria to be classified as held for sale have been met or it has been disposed off. Such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose off the component or is a subsidiary acquired exclusively with a view to resale. The result of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than under the previous FRS 135 due to the stricter criteria in FRS 5.

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The assets (or disposal group) that are classified as held for sale are measured in accordance with FRS 5. Immediately before classification as held for sale, the carrying amounts of the assets (or for all assets and liabilities in the disposal group) is measured in accordance with applicable FRSs. Then, on initial classification as held for sale, the disposal group is recognised at the lower of carrying amount and fair value less costs to sell.

#### (ii) Early adoption of revised FRSs

The Group adopted the following revised standards in advance of its effective date of 1 January 2006. Comparative figures have been restated when required.

##### *a) FRS 101 (revised), Presentation of Financial Statements*

Upon the adoption of FRS 101 (revised), the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates. In prior year, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement.

The current year's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current year's presentation.

##### *b) FRS 121 (revised), The Effects of Changes in Foreign Exchange Rates*

As a result of the adoption of FRS 121 (revised), any goodwill arising on the acquisition of a foreign subsidiary and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are now treated as assets and liabilities of the foreign operation and translated at the closing rate accordingly. In accordance with the transitional provisions of FRS 121 (revised), this policy is adopted prospectively to all acquisitions occurring after 1 January 2005. Accordingly, comparative figures are not restated.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (b) Changes in Accounting Policies (contd.)

#### (ii) Early adoption of revised FRSs (contd.)

##### *b) FRS 121 (revised), The Effects of Changes in Foreign Exchange Rates (contd.)*

Goodwill acquired and any fair value adjustments to the carrying amounts of assets and liabilities which arose on acquisitions before 1 January 2005 were deemed to be assets and liabilities of the parent company. This change in accounting policy has no significant impact on the financial statements as at 31 December 2005 or 31 December 2004.

##### *c) FRS 116 (revised), Property, Plant and Equipment*

As at 1 January 2005, the Group elected to change its accounting policy for measuring land and buildings from the cost basis to fair value. The revised accounting policy for property, plant and equipment is described in Note 2(e).

The Group decided to change its accounting policy for the measurement of land and buildings as it believes the new policy will provide more relevant and reliable information about the carrying amount of these assets. As the property market in Malaysia has been growing steadily over the last 10 years, management believes that using revalued amounts will impart more accurate information as to the appropriate value of this class of assets.

##### *d) Other revised FRSs adopted*

In addition, the Group adopted the following revised standards which did not result in any significant change in accounting policies and any effect on opening balances of retained earnings of the prior and current year:

- FRS 102 (revised), Inventories
- FRS 108 (revised), Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 (revised), Events after the Balance Sheet Date
- FRS 127 (revised), Consolidated and Separate Financial Statements
- FRS 128 (revised), Investments in Associates
- FRS 131 (revised), Interests in Joint Ventures
- FRS 132 (revised), Financial Instruments: Disclosure and Presentation
- FRS 133 (revised), Earnings Per Share

##### *e) FRSs not applicable*

The Group has not applied FRS 2, Share-based Payments and FRS 140, Investment Property that are effective for annual financial periods beginning on or after 1 January 2006.

These standards do not apply to the activities of the Group.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (b) Changes in Accounting Policies (contd.)

#### (iii) FRSs not yet effective and not adopted

The Group has not applied the following FRSs that have been issued but only effective for annual financial periods beginning on or after 1 October 2006:

- FRS 117 (revised), Leases
- FRS 124 (revised), Related Party Disclosures
- FRS 139, Financial Instruments: Recognition and Measurement

#### a) *FRS 117 (revised), Leases*

Upon the adoption of FRS 117 (revised), the Group's leasehold interest in land and buildings will be separated into leasehold land and leasehold buildings. The Group's leasehold land will be classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and will be reclassified from property, plant and equipment to prepaid lease, while leasehold buildings will continue to be classified as part of property, plant and equipment. Prepaid lease under operating leases will be initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments will be included in the cost of the land and buildings as a finance lease in property, plant and equipment.

#### b) *FRS 124 (revised), Related Party Disclosure*

FRS 124 (revised) has expanded the definition of related parties and will affect the Group's related party disclosures.

#### c) *FRS 139, Financial Instruments: Recognition and Measurement*

Upon the adoption of FRS 139, financial assets within the scope of FRS 139 will be classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets that are classified as financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair value while loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest rate method.

Differences between the carrying values and fair values of financial assets at fair value through profit or loss will be recognised in retained earnings while the differences between carrying values and fair values of available-for-sale financial assets will be recognised in the fair value adjustment reserve. For investments carried at amortised cost, any differences between the carrying values and amortised costs as at adoption date will be recognised in retained earnings.

Financial liabilities (other than derivative financial instruments) within the scope of FRS 139 will be measured at amortised costs using the effective interest rate method. Any difference between the carrying values and amortised costs as at adoption date will be recognised in retained earnings.

According to FRS 139, all derivative financial instruments held by the Group and the Company are recognised as assets or liabilities in the balance sheets and classified as financial assets or financial liabilities at fair value through profit or loss. Fair value adjustments of derivative financial instruments, except for those designated as hedging instruments in cash flow hedges, will be recognised in retained earnings at adoption date.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (c) Significant Accounting judgments and Estimates

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

#### Key sources of estimation uncertainty

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

#### a) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 31 December 2005 was RM50,604,934 (2004: RM50,604,934). More details are given in Note 16.

#### b) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax recoverable and tax payable at 31 December 2005 was RM3,577,000 (2004: RM1,230,000) and RM2,844,000 (2004: RM183,000) respectively.

### (d) Basis of Consolidation

#### (i) *Subsidiaries*

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (d) Basis of Consolidation (contd.)

#### (i) Subsidiaries (contd.)

Any excess of the cost of an acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(f).

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

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any carrying amounts of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

#### (ii) Associates

Associates are those companies in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the companies.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained earnings or accumulated losses and other reserves. The Group's share of profits less losses of associates during the year is included in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at their purchase cost and any incidental costs of acquisition less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

Land and buildings are stated at valuation less impairment losses. Revaluations are made at least once in every five years based on the valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation decrease is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised as an expense.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

Freehold land is not depreciated as it has an infinite life. Long leasehold land with unexpired lease periods of more than 50 years, is not depreciated as the impact of non-depreciated is expected to be immaterial. Leasehold land with unexpired lease period of 50 years or less is depreciated over the period of the lease.

Other property, plant and equipment are depreciated over their estimated useful lives on a straight line basis.

The principal annual rates used are as follows:

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

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

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

Upon disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (f) Intangible Assets

#### (i) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the carrying amount of investments in associates.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and, whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

An impairment loss recognised for goodwill should not be reversed in subsequent period.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations within that unit is disposed off, the goodwill associated with the operations disposed off is included in the carrying amount of the operations when determining the gain or loss on disposal of the operations. Goodwill disposed off in these circumstances are measured based on the relative values of the operations disposed off and portion of the cash-generating unit retained.

#### (ii) Other intangible assets

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

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (f) Intangible Assets (contd.)

#### (ii) Other intangible assets (contd.)

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

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

Gain or losses arising from derecognition of an intangible assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

### (g) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

### (h) Non-Current Assets Held for Sale and Discontinued Operations

A component of the Group is classified as discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed off and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Disposal groups or non-current assets are deemed to be held for sale if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

Classification as the asset (or disposal group) held for sale occurs only when the asset is available for immediate sale in its present condition and the sale must be highly probable. Management must be committed to a plan to sell the assets which is expected to qualify for recognition as a completed sales within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Immediately before the initial recognition of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the Group) are measured in accordance with the applicable FRSs. Upon classification as held for sale, non-current assets and disposal groups are measured at the lower of carrying amount and fair value less costs to sell and is not depreciated. Any differences are recognised in the income statement.

### (i) Inventories

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

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (j) Cash and Cash Equivalents

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

For the purpose of the balance sheet, cash and cash equivalent restricted to be used to settle a liability 12 months or more after the balance sheet date is classified as non-current asset.

### (k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### (l) Income Tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

### (m) 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 the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (m) Employee Benefits (contd.)

#### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

#### (iii) Termination benefits

The Group pays termination benefits in cases of termination of employment and these are recognised as a liability and an expense as and when it arises.

### (n) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

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

Intercompany sales are excluded from the revenue of the Group.

### (o) Foreign Currencies

#### (i) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These exchange differences are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

#### (ii) Foreign Entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at average exchange rates with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (o) Foreign Currencies (contd.)

#### (ii) Foreign Entities (contd.)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on and after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the closing rate at the balance sheet date.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity before 1 January 2005 are deemed to be assets and liabilities of the Company and translated at the exchange rate ruling at the date of the acquisition.

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

	Year end rates		Average rates	
	2005 RM	2004 RM	2005 RM	2004 RM
Singapore (S\$)	2.2925	2.3455	2.2737	2.2527

On disposal of a foreign entity, the cumulative amount of exchange differences deferred in equity relating to that foreign entity is recognised in the income statement as a component of the gain or loss on disposal.

### (p) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. Intangible asset with indefinite useful lives such as goodwill is tested for impairment annually at financial year-end or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (p) Impairment of Assets (contd.)

An assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment losses is reversed only if there has been a change in the estimates used to determine the assets recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. All reversals of impairment losses are recognised as income immediately in the income statement unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the income statement is treated as revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss recognised for goodwill should not be reversed in subsequent period.

### (q) Financial Instruments

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

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

### (i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

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

### (ii) Receivables

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

### (iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### (iv) Interest-Bearing Borrowings

Interest-bearing bank loans are recorded at the amount of proceeds received, net of transaction costs.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (q) Financial Instruments (contd.)

#### (iv) Interest-Bearing Borrowings (contd.)

Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

#### (v) Equity Instruments

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

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

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

## 3. REVENUE

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

	Group		Company	
	1.1.2005 to 31.12.2005 RM'000	1.4.2004 to 31.12.2004 RM'000	1.1.2005 to 31.12.2005 RM'000	1.1.2004 to 31.12.2004 RM'000
Sale of goods	386,146	262,796	–	–
Management fees from subsidiary	–	–	1,000	1,400
	<b>386,146</b>	<b>262,796</b>	<b>1,000</b>	<b>1,400</b>

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

## 4. COST OF SALES

Cost of sales represents cost of inventories sold.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 5. OTHER EXPENSES

	Group		Company	
	1.1.2005 to 31.12.2005 RM'000	1.4.2004 to 31.12.2004 RM'000	1.1.2005 to 31.12.2005 RM'000	1.1.2004 to 31.12.2004 RM'000
Loss on disposal of property, plant and equipment	1,590	467	–	–
Impairment loss on properties held for sale	33	–	–	–
Contractual obligations	1,828	–	1,750	–
Restructuring expenses	–	5,000	–	5,000
	<b>3,451</b>	<b>5,467</b>	<b>1,750</b>	<b>5,000</b>

## 6. FINANCE COSTS

Interest payable				
- term loans and others	9,133	5,725	7,331	4,241
- associate	437	–	–	–
	<b>9,570</b>	<b>5,725</b>	<b>7,331</b>	<b>4,241</b>

## 7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:

Staff costs (Note 8)	87,375	62,043	712	1,196
Non-executive Directors' remuneration (Note 9)	309	60	309	60
Auditors' remuneration				
- statutory audits	138	125	25	25
- overprovision in prior year	(19)	–	–	–
- other services	74	294	20	247
Amortisation of franchise fees	771	394	–	–
Depreciation (Note 13)	17,377	12,620	–	–
Rental of land and buildings				
- associates	721	368	–	–
- others	38,824	26,898	–	–
Management fees payable to associate	1,418	480	–	–

# Notes to The Financial Statements

31 December 2005 (contd.)

## 7. PROFIT BEFORE TAXATION (CONTD.)

	Group		Company	
	1.1.2005 to 31.12.2005 RM'000	1.4.2004 to 31.12.2004 RM'000	1.1.2005 to 31.12.2005 RM'000	1.1.2004 to 31.12.2004 RM'000
and crediting:				
Gross dividends				
- unquoted subsidiaries	-	-	26,500	-
- associate	13,002	6,866	1,586	404
- investment	-	-	-	69,444
Interest receivable				
- deposits with financial institutions	2,004	568	1,260	57
- subsidiary	-	-	3,911	-
- associate	1,132	-	-	-
- others	21	-	-	-
Gain on disposal of investment	-	113,930	-	63,930

## 8. STAFF COSTS

Wages and salaries	60,253	42,364	620	720
Social security costs	584	394	-	-
Defined contribution plans	8,682	6,130	92	156
Other staff related expenses	17,856	13,155	-	320
	<b>87,375</b>	<b>62,043</b>	<b>712</b>	<b>1,196</b>

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM848,000 (2004: RM1,399,000) and RM712,000 (2004: RM1,196,000) respectively as further disclosed in Note 9.

## 9. DIRECTORS' REMUNERATION

	Group		Company	
	1.1.2005 to 31.12.2005 RM'000	1.4.2004 to 31.12.2004 RM'000	1.1.2005 to 31.12.2005 RM'000	1.1.2004 to 31.12.2004 RM'000
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	712	876	712	876
Fees	136	203	-	-
Bonus	-	320	-	320
	<b>848</b>	<b>1,399</b>	<b>712</b>	<b>1,196</b>
Benefits-in-kind	94	-	94	-
	<b>942</b>	<b>1,399</b>	<b>806</b>	<b>1,196</b>

# Notes to The Financial Statements

31 December 2005 (contd.)

## 9. DIRECTORS' REMUNERATION (CONTD.)

	Group		Company	
	1.1.2005 to 31.12.2005 RM'000	1.4.2004 to 31.12.2004 RM'000	1.1.2005 to 31.12.2005 RM'000	1.1.2004 to 31.12.2004 RM'000
Non-Executive:				
Fees	225	60	225	60
Other emoluments	84	–	84	–
	<b>309</b>	<b>60</b>	<b>309</b>	<b>60</b>

Analysis excluding benefits-in-kind:

Total Executive Directors' remuneration (Note 8)	848	1,399	712	1,196
Total Non-Executive Directors' remuneration (Note 7)	309	60	309	60
Total Directors' remuneration	<b>1,157</b>	<b>1,459</b>	<b>1,021</b>	<b>1,256</b>

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

	Number of Directors	
	2005	2004
<b>Executive Directors:</b>		
RM400,001 - RM500,000	2	–
RM600,001 - RM700,000	–	2
<b>Non-Executive Directors:</b>		
Below RM50,000	13	3

The Executive Directors' Remuneration consists of payments to the Company's former Group Executive Chairman and former Group Managing Director.

## 10. TAXATION

	Group		Company	
	1.1.2005 to 31.12.2005 RM'000	1.4.2004 to 31.12.2004 RM'000	1.1.2005 to 31.12.2005 RM'000	1.1.2004 to 31.12.2004 RM'000
Income tax:				
- Malaysian income tax	9,660	4,115	7,000	18,400
(Over)/underprovided in prior years:				
- Malaysian income tax	(1,233)	(331)	1,089	–
- Foreign tax	47	(73)	–	–
	<b>8,474</b>	<b>3,711</b>	<b>8,089</b>	<b>18,400</b>
Deferred tax (Note 29):				
Relating to origination and reversal of temporary differences	1,104	1,417	–	–
	<b>9,578</b>	<b>5,128</b>	<b>8,089</b>	<b>18,400</b>

# Notes to The Financial Statements

31 December 2005 (contd.)

## 10. TAXATION (CONTD.)

The effective tax rate for the Group is higher than the statutory rate principally due to certain income not subjected to tax and certain expenses not deductible for tax purposes.

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

Group	1.1.2005 to 31.12.2005 RM'000	1.4.2004 to 31.12.2004 RM'000
Profit before taxation	19,802	137,352
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	5,545	38,459
Effect of income subject to tax rate of 20%	(40)	–
Effect on different tax rates in other country	(261)	41
Expenses not deductible for tax purposes	4,241	2,345
Income not subject to tax	(2,052)	(33,452)*
Overprovision of deferred tax in prior years	–	(851)
Overprovision of tax expense in prior years	(1,186)	(404)
Share of results of associates	3,331	(1,010)
Tax expense for the year	9,578	5,128

Company	1.1.2005 to 31.12.2005 RM'000	1.1.2004 to 31.12.2004 RM'000
Profit before taxation	20,778	123,939
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	5,818	34,703
Expenses not deductible for tax purposes	3,654	1,598
Income not subject to tax	(2,472)	(17,901)
Overprovision of tax expense in prior years	1,089	–
Tax expense for the year	8,089	18,400

\* This comprise of the gain on disposal of investment arising from the reorganisation scheme.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 10. TAXATION (CONTD.)

	Group		Company	
	1.1.2005 to 31.12.2005 RM'000	1.4.2004 to 31.12.2004 RM'000	1.1.2005 to 31.12.2005 RM'000	1.1.2004 to 31.12.2004 RM'000
Tax savings recognised during the year arising from:				
Utilisation of current year capital allowances	12,800	11,605	–	–

## 11. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	1.1.2005 to 31.12.2005	1.4.2004 to 31.12.2004
Profit for the year (RM'000)	10,224	132,224
Weighted average number of ordinary shares in issue ('000)	229,206	151,128
Basic earnings per share (sen)	4.46	87.49

\* Had the earnings per share been computed by excluding the other expenses as disclosed in Note 5 and gain on disposal of investment, it would have been 5.97 sen (2004: 15.72 sen).

### (b) Diluted

Fully diluted earnings per share for the year is calculated using an enlarged weighted average number of shares after the inclusion of the number of unexercised warrants outstanding as at 31 December 2005 of 6,511,684 (2004: 49,101,563).

	Group	
	1.1.2005 to 31.12.2005	1.4.2004 to 31.12.2004
Profit for the year (RM'000)	10,224	132,224
Weighted average number of ordinary shares in issue ('000)	229,206	151,128
Adjustment for assumed exercise of warrants ('000)	4,062	21,003
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	233,268	172,131
Diluted earnings per share (sen)	4.38	76.82

# Notes to The Financial Statements

31 December 2005 (contd.)

## 11. EARNINGS PER SHARE (CONTD.)

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

The ESOS had been approved by the Securities Commission and became effective on 8 July 2004. At the date of this report, the Scheme is in the process of being implemented.

## 12. DIVIDENDS

	Amount		Group/Company	
	2005	2004	Net dividends per Share	
	RM'000	RM'000	2005 Sen	2004 Sen
<b>In respect of 31 December 2004:</b>				
First and final dividend of 4 sen less 28% taxation on 238,102,190 ordinary shares, declared on 5 April 2005 and paid on 13 May 2005	–	6,857	–	2.88
<b>In respect of 31 December 2005:</b>				
Interim dividend of 3 sen less 28% taxation on 239,279,918 ordinary shares, declared on 25 August 2005 and paid on 30 September 2005	5,169	–	2.16	–
Proposed final dividend of 4 sen less 28% taxation on 239,288,318 ordinary shares	6,892	–	2.88	–
	<b>12,061</b>	<b>–</b>	<b>5.04</b>	<b>–</b>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 4 sen less 28% taxation per share on 239,288,318 ordinary shares, amounting to a total dividend payable of RM6,892,000 (2.88 sen net per share) will be proposed for shareholders' approval.

The financial statements for current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2006.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Leasehold improve- ments and renovation RM'000	Motor vehicles RM'000	Restaurant and office equipment RM'000	Total RM'000
<b>Cost/Valuation</b>							
At 1 January 2005	408	597	3,418	57,254	4,250	89,901	155,828
Elimination of accumulated depreciation on revaluation	–	–	(192)	–	–	–	(192)
Revaluation surplus	–	–	828	–	–	–	828
Reclassification to properties held for sale	–	–	(1,264)	–	–	–	(1,264)
Additions	–	–	–	7,788	661	17,606	26,055
Disposals/write off	–	(597)	(158)	(5,248)	(198)	(5,208)	(11,409)
At 31 December 2005	408	–	2,632	59,794	4,713	102,299	169,846
Representing:							
At cost	–	–	–	59,794	4,713	102,299	166,806
At valuation	408	–	2,632	–	–	–	3,040
	408	–	2,632	59,794	4,713	102,299	169,846
<b>Accumulated Depreciation</b>							
At 1 January 2005	–	–	295	31,712	2,896	37,187	72,090
Elimination of accumulated depreciation on revaluation	–	–	(192)	–	–	–	(192)
Reclassification to properties held for sale	–	–	(80)	–	–	–	(80)
Charge for the year	–	–	58	6,587	525	10,207	17,377
Disposals/write off	–	–	(22)	(4,570)	(197)	(4,227)	(9,016)
At 31 December 2005	–	–	59	33,729	3,224	43,167	80,179
<b>Net Book Value</b>							
At 31 December 2005:							
At cost	–	–	–	26,065	1,489	59,132	86,686
At valuation	408	–	2,573	–	–	–	2,981
	408	–	2,573	26,065	1,489	59,132	89,667
At 31 December 2004:							
At cost	408	597	3,123	25,542	1,354	52,714	83,738
Depreciation charge for 2004	–	–	3	6,303	372	5,942	12,620

# Notes to The Financial Statements

31 December 2005 (contd.)

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

### (a) Revaluation of Land and Buildings

The Group has engaged accredited professional valuers to determine the fair value of its land and buildings. Valuations were made on the basis of open market values on an existing use basis. Details of the independent professional valuations are as follows:

Description of Properties	Valuation Amount RM'000
Freehold building at Seberang Prai Tengah, Penang	1,645
Freehold land and building at Taman Johor Jaya, Johor Bahru	550
Freehold building at Batu Ferringhi, Penang	845
	<hr/> 3,040

Had the revalued freehold land and buildings of the Group been carried at historical cost, the net book value of the properties that would have been included in the financial statements of the Group as at 31 December 2005 would be as follows:

	Net Book Value at Valuation 2005 RM'000	Net Book Value at Historical Cost 2005 RM'000
Freehold land	408	408
Buildings	2,573	1,745
	<hr/> 2,981	<hr/> 2,153

### (b) Title Deeds

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

## 14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares at cost	125,346	115,346

# Notes to The Financial Statements

31 December 2005 (contd.)

## 14. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Percentage of Effective Equity Held		Activity
		2005 %	2004 %	
PH Property Holdings Sdn Bhd @	Malaysia	100	100	(a)
Pizza Hut Holdings (Malaysia) Sdn Bhd	Malaysia	100	100	(a)
Pizza Hut Restaurants Sdn Bhd @	Malaysia	100	100	(b)
QSR Ventures Sdn Bhd (formerly known as C. I. Enterprise Sdn Bhd)	Malaysia	100	100	(a)
Multibrand QSR Holdings Pte Ltd * @	Singapore	100	100	(a)
Pizza Hut Singapore Pte Ltd * @	Singapore	100	100	(b)
PH Properties Sdn Bhd @	Malaysia	100	100	Dormant

\* Audited by affiliate of Ernst & Young

@ These investments are held through other subsidiaries

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

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

### Acquisition of/Investment in Subsidiaries

There were no acquisitions during in the current financial year, except for the additional investment in 10 million new ordinary shares of a wholly-owned subsidiary, Pizza Hut Holdings (Malaysia) Sdn Bhd ("PH") arising from the increase in PH's issued and paid-up share capital from RM40 million to RM50 million by way of the issuance of 10 million new ordinary shares of RM1.00 each.

The Group entered into a Reorganisation Scheme, in which the details were disclosed in Note 28 to the financial statements for the year ended 31 December 2004. Upon the completion of the Reorganisation Scheme on 1 April 2004, the Group acquired the entire equity interest in PH for a cash consideration of RM115 million.

As part of the Reorganisation Scheme, the Group acquired the entire equity interest in C.I. Enterprise Sdn Bhd (now known as QSR Ventures Sdn Bhd) ("CIE") for a cash consideration of RM1.00 and the assumption of an amount due by CIE to C.I. Holdings Berhad, a former holding company, of RM198 million on 1 April 2004. This amount was fully settled by the Company on 1 April 2004.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 15. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Quoted shares at cost - Malaysia	319,612	318,057	28,612	27,057
Share of post-acquisition reserves	(12,697)	7,035	–	–
	<b>306,915</b>	<b>325,092</b>	<b>28,612</b>	<b>27,057</b>
Market value of quoted shares	266,910	231,569	32,882	27,223
The Group's investments in associates comprise:				
Share of net assets	144,106	152,702	–	–
Share of goodwill in associate	162,809	172,390	–	–
	<b>306,915</b>	<b>325,092</b>	<b>–</b>	<b>–</b>

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Percentage of Effective Equity Held		Activity
		2005	2004	
		%	%	
AFCB Properties Sdn Bhd	Malaysia	32.8	32.6	(e)
Asbury's (Malaysia) Sdn Bhd	Malaysia	32.8	32.6	(a)
Ayamas Food Corporation Sdn Bhd (formerly known as Ayamas Food Corporation Bhd)	Malaysia	32.8	32.6	(biv) & (e)
Ayamas Marketing (M) Sdn Bhd	Malaysia	32.8	32.6	(e)
Chippendales (M) Sdn Bhd	Malaysia	32.8	32.6	(d)
Havprime Sdn Bhd	Malaysia	32.8	32.6	(e)
Integrated Poultry Industry Sdn Bhd	Malaysia	32.8	27.7	(biv)
Kedai Ayamas Sdn Bhd	Malaysia	32.8	32.6	(bv) & (e)
Kentucky Fried Chicken (Malaysia) Sendirian Berhad	Malaysia	32.8	32.6	(a)
KFC (East Malaysia) Sdn Bhd	Malaysia	32.8	32.6	(e)
KFC Holdings (Malaysia) Bhd ^	Malaysia	32.8	32.6	(e)
KFC Integrated Poultry Industry Sdn Bhd	Malaysia	32.8	32.6	(bi), (bii) (biii) & (e)
KFC Manufacturing Sdn Bhd	Malaysia	32.8	32.6	(ci), (civ) & (e)
KFC (Peninsular Malaysia) Sdn Bhd	Malaysia	32.8	32.6	(a), (cii) & (e)

# Notes to The Financial Statements

31 December 2005 (contd.)

## 15. INVESTMENTS IN ASSOCIATES (CONTD.)

Name of Associates	Country of Incorporation	Percentage of Effective Equity Held		Activity
		2005 %	2004 %	
KFC Restaurants Holdings Sdn Bhd	Malaysia	32.8	32.6	(e)
KFC (Sabah) Sdn Bhd *	Malaysia	29.5	29.4	(a)
KFC (Sarawak) Sdn Bhd	Malaysia	32.8	32.6	(a)
Ladang Ternakan Putihekar (N.S.) Sdn Bhd	Malaysia	32.8	32.6	(bi)
MH Integrated Farm Berhad	Malaysia	32.8	32.6	(d)
Pan-Tiara Corporation Sdn Bhd	Malaysia	32.8	32.6	(e)
Pintas Tiara Sdn Bhd	Malaysia	32.8	32.6	(d)
Rangeview Sdn Bhd	Malaysia	32.8	32.6	(d)
Rasa Ayamias Sdn Bhd	Malaysia	32.8	32.6	(a)
Rayaplex Sdn Bhd	Malaysia	32.8	32.6	(e)
Region Food Industries Sdn Bhd	Malaysia	32.8	22.8	(ciii)
SBC Coffee Holdings Sdn Bhd	Malaysia	32.8	32.6	(e)
Signature Chef Dining Services Sdn Bhd	Malaysia	32.8	32.6	(a)
Signature Chef Foodservice & Catering Sdn Bhd	Malaysia	32.8	32.6	(d) & (e)
SPM Restaurants Sdn Bhd	Malaysia	32.8	32.6	(d)
Wangsa Progresi Sdn Bhd	Malaysia	32.8	32.6	(d)
WP Properties Holdings Sdn Bhd	Malaysia	32.8	32.6	(d) & (e)
Helix Investments Limited *	Hong Kong	32.8	32.6	(e)
Kentucky Fried Chicken Management Pte Ltd *	Singapore	32.8	32.6	(a)
KFC (B) Sdn Bhd *	Brunei Darussalam	15.1	14.9	(a)
WQSR Holdings (S) Pte Ltd *	Singapore	32.8	32.6	(e)
Aspirasi Bintang Sdn Bhd	Malaysia	32.8	32.6	Dormant
Ayamas Contract Farming Sdn Bhd	Malaysia	32.8	32.6	Dormant
Ayamas Farms & Hatchery Sdn Bhd	Malaysia	32.8	32.6	Dormant
Ayamas Feedmill Sdn Bhd	Malaysia	32.8	32.6	Dormant
Ayamas Franchise Sdn Bhd	Malaysia	32.8	32.6	Dormant
Bakers' Street Sdn Bhd	Malaysia	32.8	32.6	Dormant
Bintang Ikhtisas Sdn Bhd	Malaysia	32.8	32.6	Dormant
Edgelink Sdn Bhd	Malaysia	32.8	32.6	Dormant
Farm's Choice Marketing (M) Sdn Bhd	Malaysia	32.8	32.6	Dormant
Kentucky Trading Sdn Bhd	Malaysia	32.8	32.6	Dormant
KFC Agrotech Sdn Bhd	Malaysia	32.8	32.6	Dormant
KFC Technical Services Sdn Bhd	Malaysia	32.8	32.6	Dormant

# Notes to The Financial Statements

31 December 2005 (contd.)

## 15. INVESTMENTS IN ASSOCIATES (CONTD.)

Name of Associates	Country of Incorporation	Percentage of Effective Equity Held		Activity
		2005 %	2004 %	
Rasa Gourmet Sdn Bhd	Malaysia	32.8	32.6	Dormant
Restoran Sabang Sdn Bhd	Malaysia	32.8	32.6	Dormant
Roaster's Chicken Sdn Bhd	Malaysia	32.8	32.6	Dormant
Seattle's Best Coffee Sdn Bhd	Malaysia	32.8	32.6	Dormant
Signature Chef Catercare Sdn Bhd	Malaysia	32.8	32.6	Dormant
Signature Chef Holdings Sdn Bhd	Malaysia	32.8	32.6	Dormant
Sterling Distinction Sdn Bhd	Malaysia	32.8	32.6	Dormant
Supreme Majestic Sdn Bhd	Malaysia	32.8	32.6	Dormant
Ayamas Food Corporation (S) Pte Ltd *	Singapore	32.8	32.6	Dormant
Idmidton Resources Limited	British Virgin Islands	32.8	32.6	Dormant
Rasa Sayang Holdings Limited	British Virgin Islands	32.8	32.6	Dormant
Hiei Food Industries Sdn Bhd	Malaysia	26.6	26.4	Dormant
Yes Gelato Sdn Bhd	Malaysia	26.2	26.1	Dormant

The principal activities of the Company's associates are in the operations of:

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

\* Audited by affiliate of Ernst & Young

^ Listed on the Main Board of Bursa Malaysia Securities Berhad

# Notes to The Financial Statements

31 December 2005 (contd.)

## 16. INTANGIBLE ASSETS

Group	Goodwill on Consolidation RM'000	Franchise Fees RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2004	–	–	–
Acquisition of subsidiaries	50,605	6,173	56,778
Additions	–	1,489	1,489
At 31 December 2004	50,605	7,662	58,267
At 1 January 2005	50,605	7,662	58,267
Additions	–	1,743	1,743
At 31 December 2005	50,605	9,405	60,010
<b>Accumulated amortisation and impairment</b>			
At 1 January 2004	–	–	–
Acquisition of subsidiaries	–	1,155	1,155
Amortisation	–	394	394
At 31 December 2004	–	1,549	1,549
At 1 January 2005	–	1,549	1,549
Amortisation	–	771	771
At 31 December 2005	–	2,320	2,320
<b>Net carrying amount</b>			
At 31 December 2004	50,605	6,113	56,718
At 31 December 2005	50,605	7,085	57,690

### Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to a cash-generating unit, Pizza Restaurants segment, which is the reportable segment for impairment testing. Carrying amount of goodwill allocated to Pizza Restaurants segment as at 31 December 2005 was RM50,604,934 (2004: RM50,604,934).

The recoverable amount of the Pizza Restaurants segment is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 8.15% (2004: 6.32%). The growth rate used to extrapolate the cash flows of the Pizza Restaurants segment beyond the five-year period is 5% (2004: 5%) which is in line with the estimated GDP growth rate for the country.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 16. INTANGIBLE ASSETS (CONTD.)

### Impairment testing of goodwill (contd.)

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

- There will be no material changes in the structure and principal activities of the Group.
- Raw material price inflation - there will not be any significant increase in the prices and supply of raw materials, wages and other related costs, resulting from industrial dispute, adverse changes in the economic conditions or other abnormal factors, which will adversely affect the operations of the Company.
- Statutory income tax rate - the tax rate for Malaysia remains at 28% while Singapore tax rate maintains at 20%. There will be no material changes in the present legislation or regulations, rates and bases of duties, levies and other taxes affecting the Company's activities.
- Interest rates - the interest rates on the existing financing facilities will prevail.
- Foreign exchange rate - the foreign exchange rate will not be substantially and adversely different from the current rate.

## 17. FIXED DEPOSIT

An amount of RM20 million is deposited with a licensed bank as collateral for a term loan facility granted to a subsidiary (Note 25).

## 18. PROPERTIES HELD FOR SALE

	Group	
	2005	2004
	RM'000	RM'000
Net carrying amount upon classification to properties held for sale	1,184	–
Less: Impairment loss	(33)	–
	<u>1,151</u>	<u>–</u>

Description of Properties	Valuation Amount
	RM'000
Long leasehold building at Petaling Jaya, Selangor	600
Freehold building at Batu Ferringhi, Penang	555
	<u>1,155</u>

Properties held for sale consist of buildings that the Group has committed to a plan to sell and is actively seeking for buyers.

Properties held for sale are stated at the lower of carrying amount and fair value less costs to sell, in which their fair value have been determined based on valuations performed by professional qualified valuers using open market value basis.

The impairment loss recognised as an expense in the income statement is RM32,673 as disclosed in Note 5.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 19. INVENTORIES

	Group	
	2005 RM'000	2004 RM'000
<b>At cost</b>		
Trading stocks	13,699	12,638
Spare parts	340	257
	<u>14,039</u>	<u>12,895</u>

## 20. TRADE RECEIVABLES

Trade receivables	1,286	1,217
Less: Provision for doubtful debts	(1,052)	–
	<u>234</u>	<u>1,217</u>

The Group's normal trade credit term is up to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

## 21. OTHER RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Advances to subsidiaries	–	–	277,659	258,614
Sundry receivables	1,017	2,183	25	1,012
Prepayments	3,353	3,365	1,282	1,250
Deposits	10,587	9,913	–	–
Tax recoverable	3,577	1,230	512	1,157
	<u>18,534</u>	<u>16,691</u>	<u>279,478</u>	<u>262,033</u>

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

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash in hand and at banks	22,389	7,263	2,991	706
Deposits with licensed financial institutions	62,464	22,538	26,603	1,038
Cash and cash equivalents	84,853	29,801	29,594	1,744

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

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Licensed financial institutions	2.74	2.75	2.75	2.75

The average maturities of deposits as at the end of the financial year were as follows:

	Group		Company	
	2005 Days	2004 Days	2005 Days	2004 Days
Licensed financial institutions	7	30	7	30

## 23. TRADE PAYABLES

The normal trade credit term granted to the Group is up to 60 days.

## 24. OTHER PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Amount due to associates	3,939	11,906	–	–
Sundry payables	9,932	13,306	36	–
Accruals	9,757	5,660	3,037	213
Payroll liabilities	6,892	6,004	194	240
Duties and other taxes payable	2,895	3,022	–	–
	33,415	39,898	3,267	453

# Notes to The Financial Statements

31 December 2005 (contd.)

## 25. BANK BORROWINGS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Short Term Borrowings</b>				
Secured:				
Other borrowing	–	7,479	–	7,479
Term loan	7,336	–	–	–
Unsecured:				
Term loans	–	101,629	–	96,000
	<b>7,336</b>	<b>109,108</b>	<b>–</b>	<b>103,479</b>
<b>Long Term Borrowings</b>				
Secured:				
Term loans	148,375	–	126,367	–
Unsecured:				
Term loans	–	30,022	–	–
	<b>148,375</b>	<b>30,022</b>	<b>126,367</b>	<b>–</b>
<b>Total Borrowings</b>				
Secured:				
Other borrowing	–	7,479	–	7,479
Term loans	155,711	–	126,367	–
Unsecured:				
Term loans	–	131,651	–	96,000
	<b>155,711</b>	<b>139,130</b>	<b>126,367</b>	<b>103,479</b>
<b>Maturity of Borrowings</b>				
Within one year	7,336	109,108	–	103,479
More than 1 year and less than 2 years	7,336	7,505	–	–
More than 2 years and less than 5 years	24,672	22,517	10,000	–
5 years or more	116,367	–	116,367	–
	<b>155,711</b>	<b>139,130</b>	<b>126,367</b>	<b>103,479</b>

The term loans granted to the Group comprised the following:

- a Singapore currency denominated loan, amounting to RM29.344 million is repayable semi-annually over a period of 3-5 years commencing from the second quarter of 2004. This loan facility granted to a subsidiary in Singapore is secured by a deposit pledged with a licensed bank amounting to RM20 million (Note 17). It is also secured by a corporate guarantee of the Company and a subsidiary.
- a term loan granted to the Company which is repayable annually via 5 annual installments commencing from the first quarter of 2008. This loan is secured by certain listed shares in its associate and non listed shares in its subsidiaries.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 25. BANK BORROWINGS (CONTD.)

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

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Term loans	5.39	5.53	5.40	5.60

## 26. SHARE CAPITAL

	Number of Ordinary Shares of RM1 each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
<b>Authorised</b>				
At 1 January/31 December	1,000,000	1,000,000	1,000,000	1,000,000
<b>Issued and fully paid</b>				
At 1 January	196,698	*	196,698	*
Issued during the year				
- Share and Warrant Swap	–	196,070	–	196,070
- Conversion of warrants	42,590	628	42,590	628
At 31 December	239,288	196,698	239,288	196,698

\* Denotes RM2

During the financial year, the Company increased its issued and paid-up share capital from RM196,698,439 to RM239,288,318 by way of the issuance of 42,589,879 new ordinary shares of RM1.00 each upon the conversion of 3,284,066 and 39,305,813 warrants at the exercise price of RM1.13 and RM1.19 each respectively. The share premium of RM7,895,033 arising from the issuance of the shares at the exercise prices above the nominal value of RM1.00 each share has been credited to the share premium account.

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

### Warrants 2004/2007

A total of 49,730,497 warrants were issued by the Company in conjunction with the Share and Warrant Swap. Each warrant entitles the holder the right to subscribe for a new ordinary share of RM1.00 each in the Company at an exercise price as follows:

- (i) RM1.13 per new ordinary share for the period from 25 March 2004 to 24 January 2005; or
- (ii) RM1.19 per new ordinary share for the period from 25 January 2005 to 24 January 2007.

As at the year end, the number of outstanding warrants was 6,511,684 (2004: 49,101,563).

### Employee Share Options Scheme ("ESOS")

The ESOS had been approved by the Securities Commission and became effective on 8 July 2004. At the date of this report, the Scheme is in the process of being implemented.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 27. RESERVES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revaluation reserve	596	–	–	–
Share premium	7,977	82	7,977	82
Exchange fluctuation reserve	(57)	(397)	–	–
	<u>8,516</u>	<u>(315)</u>	<u>7,977</u>	<u>82</u>

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

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

### a. Revaluation reserve

This reserve includes the cumulative change, net of deferred tax effects, arising from the revaluation of land and buildings above their cost.

### b. Share premium

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

### c. Exchange fluctuation reserve

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries as well as from the translation of foreign currency loans used to finance investments in foreign subsidiaries.

## 28. RETAINED EARNINGS

This comprises the cumulative results of the Group and of the Company net of taxation. As at 31 December 2005, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividend amounting to RM57,231,000 (2004: RM47,280,000) out of its entire retained earnings. If the balance of the retained earnings of RM49,016,000 (2004: RM58,187,317) were to be distributed as dividend prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM19,062,000 (2004: RM22,628,401).

The Group and the Company have balances in the tax-exempt account available to be utilised for the distribution of reserves as tax-exempt dividend amounting to approximately RM6,686,000 (2004: RM8,186,000) and RM Nil (2004: RM Nil) respectively, subject to the agreement of Inland Revenue Board.

## 29. DEFERRED TAXATION

	Group	
	2005 RM'000	2004 RM'000
At 1 January	5,326	–
Recognised in income statement (Note 10)	1,104	1,417
Acquisition of subsidiaries	–	3,909
Recognised in equity	232	–
At 31 December	<u>6,662</u>	<u>5,326</u>

# Notes to The Financial Statements

31 December 2005 (contd.)

## 29. DEFERRED TAXATION (CONTD.)

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

### Deferred Tax Liabilities of the Group:

	Revaluation of Land and Buildings RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 January 2004	–	–	–
Acquisition of subsidiaries	–	3,909	3,909
Recognised in income statement	–	1,417	1,417
At 31 December 2004	–	5,326	5,326
At 1 January 2005	–	5,326	5,326
Recognised in equity	232	–	232
Recognised in income statement	–	1,104	1,104
At 31 December 2005	232	6,430	6,662

## 30. COMMITMENTS

### (a) Capital Commitments

	Group	
	2005 RM'000	2004 RM'000
<b>Capital expenditure</b>		
Approved and contracted for:		
Property, Plant and Equipment	1,386	675
Approved but not contracted for:		
Property, Plant and Equipment	28,828	23,972
	<u>30,214</u>	<u>24,647</u>

### (b) Non-Cancellable Operating Lease Commitments - Group as Lessee

	Group	
	2005 RM'000	2004 RM'000
Future minimum rentals payable:		
Not later than 1 year	31,183	25,068
Later than 1 year and not later than 5 years	75,900	72,056
Later than 5 years	80,932	94,531
	<u>188,015</u>	<u>191,655</u>

Operating lease payments represent rentals payable by the Group for use of land and buildings. Leases are negotiated for an average term of 15 years and rentals are fixed for an average of 3 years.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 31. CONTINGENT LIABILITIES

	Company	
	2005	2004
	RM'000	RM'000
<b>Unsecured</b>		
Corporate guarantees in favour of various financial institutions in respect of credit facilities extended to certain subsidiaries	33,373	39,204

## 32. SIGNIFICANT RELATED PARTY TRANSACTIONS

As at 31 December 2005, the following companies fall within the definition of related parties:

Company	Relationship
Pizza Hut Holdings Sdn Bhd ("PHH")	A subsidiary of the Company.
QSR Ventures Sdn Bhd ("QSRV") (formerly known as C.I. Enterprise Sdn Bhd)	A subsidiary of the Company.
KFC Holdings (Malaysia) Bhd ("KFCH")	An associate of the Group.
Ayamas Food Corporation Sdn Bhd ("AFCSB") (formerly known as Ayamas Food Corporation Bhd)	A subsidiary of KFCH.
KFC Manufacturing Sdn Bhd ("KFC Manufacturing")	A subsidiary of KFCH.
KFC (Peninsular Malaysia) Sdn Bhd ("KFC PM")	A subsidiary of KFCH.
Region Food Industries Sdn Bhd ("RFI")	A subsidiary of KFCH.
Kentucky Fried Chicken Management Pte Ltd ("KFC MPL")	A subsidiary of KFCH.
Signature Chef Foodservices & Catering Sdn Bhd ("SCFC")	A subsidiary of KFCH.
Wangsa Progresi Sdn Bhd ("WP")	A subsidiary of KFCH.
WP Properties Holdings Sdn Bhd ("WPPH")	A subsidiary of KFCH.
SPM Restaurants Sdn Bhd ("SPM")	A subsidiary of KFCH.
WQSR Holdings (S) Pte Ltd ("WQSR")	A subsidiary of KFCH.
Permanis Sandilands Sdn Bhd ("Permanis")	A corporation in which the Directors of the Company have deemed interest.
Sarbjit & Co	A firm in which a former Director of the Company has interest.
Yoong & Partners	A firm in which a Director of the Company has interest.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

Group	2005 RM'000	2004 RM'000
Purchase of goods from		
- Permanis	4,496	3,229
- AFCSB	15,374	10,589
- KFC Manufacturing	37,407	21,656
- KFC PM	1,327	1,035
- RFI	321	23
Management fees to KFCH	1,418	480
Allocation of expenses from KFC MPL	5,264	3,640
Interest to KFC MPL	437	-
Rental of land and buildings to		
- SCFC	96	-
- WP	229	172
- WPPH	288	196
- SPM	108	-
Gross dividends from KFCH	13,002	6,866
Interest from WQSR	1,132	-
Legal and professional fees to		
- Sarbjit & Co	153	-
- Yoong & Partners	175	-
<hr/>		
<b>Company</b>		
Gross dividends from PHH	26,500	-
Gross dividends from KFCH	1,586	404
Interest from QSRV	3,911	-
Legal and professional fees to		
- Sarbjit & Co	153	-
- Yoong & Partners	175	-

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

# Notes to The Financial Statements

31 December 2005 (contd.)

## 33. CORPORATE PROPOSAL

On 30 December 2005, the Company announced to Bursa Malaysia Securities Berhad ("Bursa Securities") that the Company proposed to implement a private placement of up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Private Placement"). The Proposed Private Placement will help to address the public shareholding spread requirement of the Company. Further, the Proposed Private Placement will also enable the Company to raise funds for repayment and prepayment of bank borrowings, capital expenditure and working capital.

The Proposed Private Placement is pending approvals from the followings:

- (i) Securities Commission ("SC")
- (ii) Foreign Investment Committee (through SC); and
- (iii) Bursa Securities for the listing of and quotation for the new shares to be issued pursuant to the Proposed Private Placement on the Main Board of Bursa Securities.

The maximum number of new ordinary shares of RM1.00 each in the Company ("QSR Shares") to be issued pursuant to the Proposed Private Placement amounting up to 23,928,832 QSR Shares ("Placement Shares") was arrived at based on approximately ten percent (10%) of the issued and paid-up share capital of the Company of RM239,288,318 comprising 239,288,318 QSR Shares.

On 20 January 2006, the Company announced to Bursa Securities that the issue price of the Placement Shares is fixed at RM2.90 per QSR Share, which represents a discount of approximately 9.4% from the five-day weighted average market price of QSR Shares up to 19 January 2006 of RM3.20.

On 15 February 2006, the High Court of Malaysia allowed an interlocutory application by Kulim Berhad; which among other orders, imposed an interlocutory injunction against QSR from taking any further steps to implement the Proposed Private Placement.

QSR has subsequently filed an appeal.

## 34. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long term interest-bearing assets as at 31 December 2005. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits, marketable securities or occasionally, in short term commercial papers.

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

# Notes to The Financial Statements

31 December 2005 (contd.)

## 34. FINANCIAL INSTRUMENTS (CONTD.)

### (b) Interest Rate Risk (contd.)

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

	Notional Amounts	
	2005 RM'000	2004 RM'000
Within 1 year	1,435	1,803
More than 1 year and less than 5 years	1,822	3,231
	<u>3,257</u>	<u>5,034</u>

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

### (c) Foreign Exchange Risk

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

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

### (d) Liquidity Risk

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

### (e) Credit Risk

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

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

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

# Notes to The Financial Statements

31 December 2005 (contd.)

## 34. FINANCIAL INSTRUMENTS (CONTD.)

### (f) Fair Value

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

	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
At 31 December 2005:				
Investments in subsidiaries	–	–	125,346	*
Investments in associates	306,915	266,910	28,612	32,882
Advances to subsidiaries	–	–	277,659	#
At 31 December 2004:				
Investments in subsidiaries	–	–	115,346	*
Investments in associates	325,092	231,569	27,057	27,223
Advances to subsidiaries	–	–	258,614	#
<b>Financial Liabilities</b>				
At 31 December 2005:				
Amount due to associates	3,939	#	–	–
Term loans	155,711	150,765	126,367	121,912
At 31 December 2004:				
Amount due to associates	11,906	#	–	–
Term loans	139,130	132,899	103,479	97,899

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

# It is not practical to estimate the fair value of amount due from/(to) subsidiaries and associates due principally to a lack of fixed repayment term entered by the parties involved and the inability to estimate fair value without incurring excessive costs.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

#### (i) Cash and Cash Equivalents, Receivables/Payables and Short term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

#### (ii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

# Notes to The Financial Statements

31 December 2005 (contd.)

## 34. FINANCIAL INSTRUMENTS (CONTD.)

### (f) Fair Value (contd.)

#### (iii) Investments in Associates

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

## 35. SEGMENT INFORMATION

### (a) Business Segment

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

### (b) Geographical Segments

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

	← 2005 →		
	Malaysia RM'000	Foreign RM'000	Consolidated RM'000
External sales	240,533	145,613	386,146
Segment assets	186,668	48,895	235,563
Capital Expenditure	21,030	5,025	26,055

	← 2004 →		
	Malaysia RM'000	Foreign RM'000	Consolidated RM'000
External sales	157,282	105,514	262,796
Segment assets	112,368	38,087	150,455
Capital Expenditure	16,612	6,318	22,930

# Analysis of Shareholdings

As at 30 June 2006

Authorised Share Capital	RM1,000,000,000	Class of Shares	Ordinary Share of RM1.00 each
Issued and Paid Up Share Capital	RM240,909,194	Voting Right	1 vote per Ordinary Share

## DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shares
1 - 99	1,610	39.21	8,642	0.00
100 - 1,000	1,006	24.50	623,375	0.26
1,001 - 10,000	1,292	31.47	4,780,716	1.99
10,001 - 100,000	136	3.31	3,397,510	1.41
100,001 - Less than 5% of issued shares	59	1.44	67,317,344	27.94
5% and above of issued shares	3	0.07	164,781,607	68.40
<b>Total</b>	<b>4,106</b>	<b>100.00</b>	<b>240,909,194</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Wisdom Innovative Technology Sdn Bhd	40,900,600	16.98	—	—
Indexia Assets Limited	22,567,310	9.37	—	—
Kulim (Malaysia) Berhad	124,943,397	51.86	—	—
Eagle Option Sdn Bhd	47,035,510	19.52	—	—
Tan Sri Dato' Nik Ibrahim Kamil bin Tan Sri Nik Ahmad Kamil	—	—	47,035,510 <sup>(1)</sup>	19.53
Enigma Sinar Sdn Bhd	15,850,000	6.58	—	—
OCB Berhad	—	—	15,850,000 <sup>(2)</sup>	6.58
Delta Armada Sdn Bhd	24,500,000	10.17	—	—
Abdul Wahid bin Ahmad Shuhaime	—	—	24,500,000 <sup>(3)</sup>	10.17
Giganite Limited	29,000,000	12.04	—	—
Michael Tang Vee Mun	—	—	29,000,000 <sup>(4)</sup>	12.04
Chai Sing Hong	—	—	29,000,000 <sup>(4)</sup>	12.04

### Notes

- (1) Deemed interest through Eagle Option Sdn Bhd.
- (2) Deemed interest through Enigma Sinar Sdn Bhd.
- (3) Deemed interest through Delta Armada Sdn Bhd.
- (4) Deemed interest through Giganite Limited.

# Analysis of Shareholdings

As at 30 June 2006 (contd.)

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

Save as disclosed below, none of the Directors has any interest, direct or indirect, in the Company and its related corporations.

Director	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Ahamad bin Mohamad	100	*	-	-
Toh Chun Wah	553,419	0.23	-	-

Notes

\* Insignificant

## LIST OF TOP THIRTY (30) SHAREHOLDERS AS AT 30 June 2006

Name	No. of Shares	% of Total Shares
1. CIMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Kulim (Malaysia) Berhad	119,931,607	49.78
2. HDM Nominees (Asing) Sdn Bhd - DBS Bank Labuan Branch for Giganite Limited	29,000,000	12.04
3. Enigma Sinar Sdn Bhd	15,850,000	6.58
4. RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Eagle Option Sdn Bhd	9,661,800	4.01
5. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Low Mei Loon	7,378,000	3.06
6. Mayban Securities Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Sun Spirit Group Limited	3,659,900	1.52
7. Kulim (Malaysia) Berhad	3,618,490	1.50
8. Employees Provident Fund Board	3,433,200	1.43
9. Mayban Securities Nominees (Asing) Sdn Bhd - UOB Kay Hian Private Limited for G1 Investments Pte Ltd	2,866,900	1.19
10. HDM Nominees (Asing) Sdn Bhd - Phillip Securities Pte Ltd for Nueviz Investment Private Ltd	2,800,000	1.16
11. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Eagle Option Sdn Bhd	2,643,100	1.10
12. Citigroup Nominees (Asing) Sdn Bhd - Citigroup GM Inc for Heritage Investment Corporation	2,242,700	0.93
13. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Idris Bin Abdullah @ Das Murthy	1,807,700	0.75
14. AMSEC Nominees (Asing) Sdn Bhd - Kim Eng Securities Pte Ltd for Jadersworth Holdings Pte Ltd	1,536,500	0.64
15. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Izhar bin Sulaiman	1,417,500	0.59
16. Kulim (Malaysia) Berhad	1,393,300	0.58
17. Leong Hee Peng	1,245,300	0.52
18. AMSEC Nominees (Asing) Sdn Bhd - Kim Eng Securities Pte Ltd for Magnus Energy Group Ltd	1,190,900	0.49

# Analysis of Shareholdings

As at 30 June 2006 (contd.)

## LIST OF TOP THIRTY (30) SHAREHOLDERS AS AT 30 JUNE 2006 (contd.)

Name	No. of Shares	% of Total Shares
19. HLB Nominees (Asing) Sdn Bhd - Pledged Securities Account for Ang Hon Nam @ Ng Nam Teck	1,135,000	0.47
20. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Peter Chen Hing Woon	1,085,700	0.45
21. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ong King Kok	1,009,900	0.42
22. HDM Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Adroit Innovations Pte Ltd	1,000,000	0.42
23. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lau Siew Loon	958,000	0.40
24. HLG Nominee (Tempatan) Sdn Bhd - Pledged Securities Account for Poh Gaik Lye	943,000	0.39
25. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Boon Kiat	900,000	0.37
26. Mayban Securities Nominees (Asing) Sdn Bhd - Pledged Securities Account for G1 Investments Pte Ltd	839,000	0.35
27. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yap Sooi Kuan	805,000	0.33
28. HDM Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Heritage Investment Corporation Pte Ltd)	800,000	0.33
29. Citigroup Nominees (Tempatan) Sdn Bhd - Pledged securities account for Izhar bin Sulaiman	669,500	0.28
30. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Neo Kim Hock	650,000	0.27
<b>Total</b>	<b>222,471,997</b>	<b>92.35</b>

# Analysis of Warrant Holdings

As at 30 June 2006

Exercise Price and Period

- (1) RM1.13 for the period commencing from 25 March 2004 to 24 January 2005  
 (2) RM1.19 for the period commencing from 25 January 2005 to 24 January 2007

## DISTRIBUTION OF WARRANT HOLDERS

Size of Warrant Holding	No. of Warrants Holders	% of Total Warrants Holders	No. of Warrants	% of Total Warrants
1 - 99	715	38.13	10,944	0.22
100 - 1,000	776	41.39	350,029	7.16
1,001 - 10,000	354	18.88	1,077,323	22.04
10,001 - 100,000	27	1.44	700,412	14.32
100,001 - Less than 5% of issued shares	1	0.05	122,800	2.51
5% and above of issued shares	2	0.11	2,628,300	53.75
<b>Total</b>	<b>1,875</b>	<b>100.00</b>	<b>4,889,808</b>	<b>100.00</b>

## LIST OF TOP THIRTY (30) WARRANT HOLDERS AS AT 30 JUNE 2006

Name	No. of Warrants	% of Total Warrants
1. Employees Provident Fund Board	2,063,900	42.21
2. Mayban Securities Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Nueviz Investment Private Limited	564,400	11.54
3. Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Peter Chen Hing Woon	122,800	2.51
4. Citigroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Izhar Bin Sulaiman	86,700	1.77
5. Mardjuki Widjaja	85,000	1.74
6. Teo Lim Che @ Tew Lim Chey	50,000	1.02
7. Rulzmal Bin Khamarulzaman	45,900	0.94
8. Tan Eng Nan @ Tan Eng Lam	42,880	0.88
9. Lim Ho Peng	35,000	0.72
10. HSBC Nominees (Asing) Sdn Bhd - UBS AG Zurich for SBC Lux Equity Portfolio Malaysia	31,100	0.64
11. MERCSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Piramid Tulin Sdn Bhd	26,000	0.53
12. Nueviz Investment Private Limited	25,900	0.53
13. Goh Siew Leam	24,500	0.50
14. CIMSEC Nominees (Tempatan) Sdn Bhd - BCB for Mohd Ariffin Bin Mohd Yusuf	21,880	0.45
15. Lim Ah Lian	20,000	0.41
16. AMSEC Nominees (Asing) Sdn Bhd - Kim Eng Securities Pte Ltd for friendship Bridge Holding Company Pte Ltd	20,000	0.41

# Analysis of Warrant Holdings

As at 30 June 2006 (contd.)

## LIST OF TOP THIRTY (30) WARRANT HOLDERS AS AT 30 JUNE 2006 (contd.)

Name	No. of Warrants	% of Total Warrants
17. UOBM Nominees (Tempatan) Sdn Bhd - United Overseas Bank Nominees (Pte) Ltd for Megah Capital Sdn Bhd	16,000	0.33
18. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Kian Hui	16,000	0.33
19. Mohd Johar Bin Arif	16,000	0.33
20. TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Nik Azalan Bin Nik A. Kadir	15,000	0.31
21. Lin Song Lai	15,000	0.31
22. Ng Bee Lian Realty Sdn Bhd	14,000	0.29
23. Kam Chooi Suan	13,000	0.27
24. Southern Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chua Hok Eim	12,000	0.25
25. Tan Chen Yan	11,700	0.24
26. Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sit Swee Cho @ Sit Chin Seong	11,000	0.22
27. Ng Boo Kean @ Ng Beh Kian	10,600	0.22
28. Toh Chun Wah	10,532	0.22
29. Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for Value Catalyst Fund Ltd	10,200	0.21
30. Tan Cheng Bee	10,000	0.20
<b>Total</b>	<b>3,446,992</b>	<b>70.49</b>

# LIST OF PROPERTIES HELD

As At 31 December 2005

Location	Date of Valuation	Age*	Tenure	Expiry Date	Area (sq ft)	Description	Net Book Value/ Carrying Amount (RM'000)
<b>COMMERCIAL PROPERTIES</b>							
<b>PENANG</b>							
Unit No G-104 Megamal Pinang 2828 Jalan Baru Bandar Perai Jaya 13600 Seberang Perai Tengah	24/08/2005	9	Freehold	–	2,762	Ground floor of a shopping complex for restaurant	1,607
1-5G & 1-10G Eden Parade Jalan Sungai Emas 11100 Batu Ferringhi	24/08/2005	5	Freehold	–	2,818	2 adjoining ground and mezzanine floors of a shopping complex for restaurant	1,424
<b>SELANGOR</b>							
20-4 & 22-4 Jalan 14/22 The Right Angle 46100 Petaling Jaya	24/08/2005	16	Leasehold	16/12/2086	3,080	3rd floor of 2 adjoining units of a 4-storey shophouse	555
<b>JOHOR</b>							
86 Jalan Dedap 4 Taman Johor Jaya 81100 Johor Bahru	24/08/2005	23	Freehold	–	1,540	Double-storey shophouse for restaurant	546

\* *Approximate age of property in years*

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# Form of Proxy

## 3rd Annual General Meeting



I/We .....  
of .....  
being (a) member(s) of QSR BRANDS BHD, hereby appoint(s) \*THE CHAIRMAN OF THE MEETING or failing him,  
.....  
of .....  
or failing him /her .....  
of .....

as my / our proxy to attend and to vote for me / us on my / our behalf at the 3rd Annual General Meeting ("AGM") of the Shareholders of the Company to be held at Level 3, Wisma KFC, No 17, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 29 August 2006 at 11.00am and at any adjournment thereof.

*\*If you wish to appoint other person(s) to be your proxy (ies), kindly delete the words "The Chairman of the Meeting or failing him" and insert the name(s) of the person(s) desired.*

(With reference to the agenda set out in the Notice of AGM, please indicate with an "X" in the space provided below on how you wish to cast your votes.)

		FOR	AGAINST
Resolution 1	Financial Statements and Reports		
Resolution 2	Final Dividend		
Resolution 3	Payment of Directors' Fees		
Resolution 4	Re-election of Directors: -		
	YBhg Dato' Dr Ridzuan bin Akil		
Resolution 5	Mr Toh Chun Wah		
Resolution 6	Tan Sri Dato' Muhammad Ali bin Hashim		
Resolution 7	Ahamad bin Mohamad		
Resolution 8	Jamaludin bin Md Ali		
Resolution 9	YAM Dato' Seri Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail		
Resolution 10	Mohammad bin Alwi		
Resolution 11	Wong Seng Lee		
Resolution 12	Sheik Sharufuddin bin Sheik Mohd		
Resolution 13	Kua Hwee Sim		
Resolution 14	Re-appointment of Messrs Ernst & Young as Auditors of the Company		
Resolution 15	Resolution pursuant to Section 132D of the Companies Act 1965		
Resolution 16	Resolution pursuant to the Proposed Shareholders' Mandate		

Dated this ..... day of ..... 2006

Number of Shares for which the Proxy named above is appointed

.....  
Signature of Shareholder(s)

- Notes: -
1. A member of the Company entitled to attend and vote at the abovementioned AGM may appoint one or more proxies to attend and vote in his stead. A Proxy may but need not be a member of the Company.
  2. If the member is a corporation, this Proxy Form must be executed under its common seal or the hand of its duly authorized officer or attorney.
  3. Where a member appoints two or more Proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding by inserting at the relevant space of this Proxy form the no. of shares for which the relevant Proxy is appointed.
  4. Any alteration made in this form should be initialed by the person who signs it.
  5. This Proxy Form and, if this Proxy Form is signed under the hand of an officer or an attorney, the power of attorney or other authority (or a notarially certified copy thereof) must be deposited at the Registrar Office of the Company, Epsilon Registration Services Sdn Bhd, 312, 3rd Floor, Block C, Kelana Square, 17, Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, at least forty-eight (48) hours before the time for holding the AGM.

fold here

Stamp

Epsilon Registration Services Sdn Bhd  
312, 3rd Floor,  
Block C, Kelana Square,  
17, Jalan SS 7/26,  
47301 Petaling Jaya,  
Selangor Darul Ehsan

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No. 17, Jln Sultan Ismail  
50250, Kuala Lumpur