

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with FRS 134: "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2007.

The accounting policies and presentation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2007.

A2. Status on Qualification of Audited Financial Statements

The audit report of the Group's preceding year financial statement was not qualified.

A3. Seasonality or Cyclicity of Operations

The Group's performance is generally affected by seasonal factors such as school holidays and festive seasons.

A4. Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash flows

There was no unusual item affecting assets, liabilities, equity, net income or cash flows during the financial period.

A5. Changes in Accounting Estimates

There were no changes in estimates of amount reported in prior interim period or financial year that have a material effect in the current financial quarter.

A6. Debt and Equity Securities

There was no issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the financial period other than as mentioned below:-

- (a) The paid-up share capital of the Company was increased from RM245,471,082 as at 31 December 2007 to RM286,382,929 as a result of the issuance of 40,911,847 new ordinary shares of RM1.00 each together with 40,911,847 new free detachable warrants on the basis of one rights share together with one free warrant for every six existing ordinary shares of RM1.00 each held.
- (b) The number of warrants outstanding as at 31 March 2008 was 40,911,847. Each warrant entitles the holder of the right to subscribe for a new ordinary share of RM1.00 each in the Company at an exercise price of RM3.01 per share. The warrants will expire on 5 March 2013.

A7. Dividends Paid

There were no dividend payments made during the current financial period.

A8. Segmental Information

RM' million	Current Quarter 1 Jan - 31 Mar 2008		Current Quarter 1 Jan - 31 Mar 2007	
	Revenue	Operating Profit/(loss)	Revenue	Operating Profit
<u>Malaysia</u>				
Pizza Hut restaurants	<u>85.8</u>	<u>9.4</u>	<u>65.5</u>	<u>3.6</u>
<u>Foreign</u>				
Pizza Hut Singapore	42.6	1.7	38.3	1.5
KFC Cambodia	<u>0.4</u>	<u>(0.9)</u>	<u>-</u>	<u>-</u>
	<u>43.0</u>	<u>0.8</u>	<u>38.3</u>	<u>1.5</u>
Consolidated Total	<u>128.8</u>	<u>10.2</u>	<u>103.8</u>	<u>5.1</u>

A9. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment has been brought forward without amendment from the financial statements for the year ended 31 December 2007.

A10. Material Events subsequent to the end of the current quarter

There were no material events subsequent to the end of the current quarter.

A11. Changes in the Composition of the Group

On 29 February 2008, the Company entered into a Joint Venture Agreement with Royal Group of Companies Ltd and Rightlink Corporation Limited Hong Kong to form a joint venture under a joint venture company, Kampuchea Food Corporation Limited ("KFCL"), to operate Kentucky Fried Chicken Restaurant business in Cambodia. The Company has a 55% shareholding in KFCL.

A12. Changes in Contingent Liabilities and Contingent Assets

Since the last Balance Sheet date, there were no material changes in contingent liabilities and contingent assets.

A13. Capital Commitments

	RM'000
Capital expenditure :	
Property, plant and equipment	
- approved and contracted for	1,636
- approved but not contracted for	<u>33,990</u>
	<u>35,626</u>

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENT

B1. Review of the Performance of the Company and its Principal Subsidiaries

The Group registered a revenue of RM128.8 million for the current quarter, representing an increase of 24.1% over prior year corresponding period of RM103.8 million.

The Group's operating profit before share of profits of associate increased by more than 100% to RM10.2 million (2007 : RM5.1 million). Including the share of profits of its associate, KFCH, the Group's profit before tax improved to RM23.4 million as compared to RM14.8 million in the corresponding period last year.

The revenue improvement was attributed to the continuing network expansion where 3 new Pizza Hut outlets were opened in Malaysia in the period under review and the net addition of 15 outlets to the network since April 2007. The highly successful Sensasi Delight combo value meals which were first introduced in June 2007 continue to drive restaurants throughput with its value layer proposition. And the introduction of new products such as the Mexican Fiesta Bonanza, Golden Happiness Cheesy Crown Pizza and Italiano Paradiso pizza boosted same store sales and transactions.

Though the restaurants profitability were affected by the increasing cost of raw materials such as flour and cheese, the negative impact was mitigated by the significant improvement in sales.

Its Singapore operations' improved sales and profitability were attributed to the successful launches of its Double Treats Delight promotion and new products such as Prosperity Pizza and Amore Italia Pizza and the net addition of 6 outlets since April 2007.

KFCH generated better results with improved sales at its restaurants and its poultry local open market and export market with a pre-tax profit of RM40.1 million as compared to RM33.0 million in the prior year's corresponding period. This represented a 21.5% increase in year-on-year profitability.

B2. Material Changes in the Quarterly Results

The Group registered a turnover of RM128.8 million, an increase of 1.1% over previous quarter's RM127.4 million. Its operating profit before share of profits of associate increased to RM10.2 million in the current quarter from RM8.8 million in the previous quarter.

Including its share of profits in KFCH, the Group registered only a marginal increase in its profit before tax in the current quarter. Earnings per share increased from 7.43 sen in the previous quarter to 7.95 sen in the current quarter. The better performance in the current quarter was primarily due to the improved performance in its Malaysian operations from effective marketing programs.

B3. Current Year Prospects

Malaysia is expected to achieve an economic growth of 5 - 6% in 2008 while Singapore had projected an economic growth of 4 - 6% in 2008.

Domestic consumption has remained resilient to date on the back of a strong labour market and private sector real wage growth in the current year. However inflationary pressures in the economy from the continuing high oil prices and global food and commodity prices may dampen consumer spending in the later half of the year. Malaysia registered an inflation rate of 2.6% in the first quarter of 2008 while Singapore recorded its highest inflation rate in 26 years of 6.7%. The Malaysian Government is actively exploring various measures to lessen consumers burden on food expenditure. In the light of the current economic environment, the Group will continue to introduce more product offerings that focus on value to customers.

Based on the foregoing and amid the economic uncertainties, the Board is optimistic of better performance in the current year. The Group will continue to derive better cost efficiencies across all functions and focus on enhancing productivity at the restaurants and manufacturing facilities.

B4. Statement of Revenue or Profit Estimate, Forecast, Projection or Internal Targets previously announced or Disclosed in a Public Document

Not applicable.

B5. Profit Forecast/Profit Guarantee

The Company is not subject to any profit forecast or profit guarantee requirement.

B6. Taxation

	Current Quarter RM'000
Tax expense for the period :-	
Malaysian income tax	2,491
Foreign tax	366
	<u>2,857</u>
Deferred tax	513
	<u><u>3,370</u></u>

The effective tax rate for the Group for the current period is higher than the statutory tax rate in view of the disallowance of certain expenses for tax purposes.

B7. Sale of Unquoted Investments and Properties

There was no sale of unquoted investments and properties.

B8. Quoted Securities

There was no purchase or disposal of quoted securities during the financial period.

B9. Status of Uncompleted Corporate Announcement

As at the date of this announcement, there are no other outstanding corporate proposals which have been announced but are pending completion by the QSR Group.

The RM102.28 million gross proceeds raised from the rights issue exercise, which was completed on 10 March 2008, has been utilised as follows :-

	Approved RM'000	Utilised as at 30 April 2008 RM'000
Working Capital	30,101	30,104
Repayment of bank borrowings	71,079	71,079
Expenses	1,100	1,097
	-----	-----
	102,280	102,280
	=====	=====

B10. Borrowings and Debt Securities

		As at 31 March 2008
		RM'000
Short term borrowings:-		
Secured	- Term loan I (SGD4,000,000)	9,350
	- Term loan II	10,000
	- Term loan III	66,079

		85,429
		=====
Long term borrowings:-		
Secured	- Term loan I (SGD2,400,000)	5,610
	- Term loan II	111,367

		116,977
		=====

- (a) The Singapore currency denominated Term Loan I is repayable semi-annually over a period of 5 years commencing from the second quarter of year 2004. The term loan is secured by a deposit pledged with a licensed bank amounting to RM15.68 million.
- (b) Term Loan II is secured by certain quoted shares of its associate and certain unquoted shares of its subsidiary and is repayable annually via 5 annual instalments commencing from the first quarter of year 2008.
- (c) Term Loan III was raised to fund its acquisitions of KFCH shares pre and during the offer period of the MGO exercise and is secured by certain quoted shares of its associate and is repayable annually via 4 semi annual instalments commencing from the first quarter of year 2008.

B11. Financial Instrument with Off Balance Sheet Risk

There were no financial instruments with off balance sheet risk as at the date of this report.

B12. Changes in Material Litigations

Since the last quarterly report ended 31 December 2007, the following are the updates: -

- a) **KUALA LUMPUR HIGH COURT ORIGINATING SUMMONS NO. D2-24-321-2005
COURT OF APPEAL, APPEAL NO. W-02-983-2005**

2 Plaintiffs v QSR Brands Bhd & 13 others

Plaintiffs filed Originating Summons dated 2/9/2005, seeking for declaratory orders that, among others, the Special Notice issued by the 1st to 3rd Defendants on 18/8/2005 to convene an extraordinary general meeting to be held on 15/9/2005 is invalid, consequentially the 1st to 12th Defendants, their servants, agent nominees and/or any shareholder of the Company, acting in concert with them, be restrained from moving, or proposing the proposed resolutions contained in the special notice dated 18/8/2005 at the intended EGM then scheduled to be held on 15/9/2005.

On 13/9/2005, Court dismissed the suit with costs as the Court found that there was no breach of Section 153 of the Companies Act 1965, and as a result thereof, the Special Notice issued on 18/8/2005 to convene the intended EGM is valid.

On 15/9/2005, the Plaintiffs filed oral application for an Erinford Injunction to restrain the Defendants from moving or proposing resolutions at the then intended EGM. The application for injunction was dismissed with costs.

The Plaintiffs filed notice of appeal against the High Court decision. No date of hearing of the appeal has been fixed yet.

Notice of Discontinuance dated 16/4/2008 has been signed and filed by the Plaintiff's solicitors.

**b) COURT OF APPEAL NO. W-02-1095-2005
(KUALA LUMPUR HIGH COURT SUIT NO. D7-22-341-2005)**

QSR Brands Bhd & Anor v 9 Defendants

This suit was instituted by the then directors of QSR to establish for an order to restrain the Defendants from acting or holding out as directors of the QSR arising from the proceedings of the extraordinary general meeting ("EGM") requisitioned by the 2nd Plaintiff in September 2005. There are multiple appeals involved in this matter. The matter had become academic due to the result of the EGM requisitioned by Kulim (Malaysia) Berhad on 7/6/2006.

Notices of Discontinuance dated 15/4/08 and 16/4/08 have been filed by the parties.

On 17/4/2008, the Court has agreed to strike out the matters with no order as to cost.

**c) KUALA LUMPUR HIGH COURT SUIT NO D2-24-315-2005
QSR Brands Bhd v 6 Defendants**

QSR sought to restrain, inter alia, the holding of the extraordinary general meetings requisitioned by the 3rd, 4th, 5th and 6th Defendants on 20/9/2005 for the purpose of removing certain QSR directors and to restraint the 1st Defendant from voting until the 1st Defendant issue the offer document pursuant to the Malaysian Code on Take-Overs and Mergers, 1998.

On 15/9/2005, QSR's application by way of Summons in Chamber for interlocutory injunction ("QSR Application") was dismissed with costs.

The date for the hearing on the Originating Summons has yet to be fixed. On 16/9/2005, QSR filed an appeal against the dismissal of the QSR Application in the Court of Appeal but no date of hearing has been fixed.

Notice of Discontinuance dated 16/4/2008 has been signed and filed by the Plaintiff's solicitors.

**d) FEDERAL COURT APPLICATION NO. : 08-53-2006 w AND 08-55-2006 w
COURT OF APPEAL NO. W-02-1070-2005
(KUALA LUMPUR HIGH COURT SUIT NO. D7-22-1386-2005)
QSR Brands Bhd & 2 Others v 5 Defendants**

This suit was instituted by the then directors of QSR for an order to restrain the Defendants from acting or holding out as directors of the QSR arising from the proceedings of the EGM requisitioned by Wisdom Innovative Technology Sdn Bhd in September 2005. There are also multiple appeals and counterclaims involved in this matter. The matter has become academic due to the result of the EGM requisitioned by Kulim (Malaysia) Berhad on 7/6/2006.

Notices of Discontinuance dated 16/4/08 have been filed by the parties.

On 17/4/2008, the Court has agreed to strike out the matters with no order as to cost.

B13. Dividend Proposed

There was no dividend proposed during the current quarter (2007 : Nil).

B14. Earnings Per Share

	CURRENT QUARTER	
	1 Jan – 31 Mar 2008 (RM'000)	2007 (RM'000)
Earnings		
Profit attributable to equity holders of the Company	20,453	13,280
Weighted average number of shares		
a) Basic	('000)	('000)
Weighted average number of ordinary shares in issue	257,160	245,203
b) Diluted earnings per share		
Weighted average number of ordinary shares in issue	257,160	245,203
Adjustment for assumed exercised of warrants	-	-
Adjusted weighted average number of ordinary shares in issue	257,160	245,203
Basic earnings per share (sen)	7.95	5.42
Diluted earnings per share (sen)	-	-

The unexercised 40,911,847 convertible warrants 2008/2013 were not included in the diluted earnings per share calculation as it is anti-dilutive in nature as the market price of RM1.93 per QSR share at 31 March 2008 was below the exercise price of the warrants of RM3.01 per share.

B15. Currency Translation

The exchange rates used for each unit of the foreign currency in the Group for the current financial period was :-

	THIS YEAR CURRENT QUARTER		PRECEEDING YEAR CORRESPONDING QUARTER	
	MTH-END RATE RM	AVERAGE RATE RM	MTH-END RATE RM	AVERAGE RATE RM
Singapore (S\$)	2.3375	2.3245	2.3035	2.3095
US Dollar (USD)	3.2310	3.2320	-	-

By Order of the Board
QSR BRANDS BHD

.....
MOHD ZAM BIN MUSTAMAN (LS 0009020)
IDHAM JIHADI BIN ABU BAKAR (MAICSA 7007381)
(COMPANY SECRETARIES)

Date: 21 May 2008