

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 2008.

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 2008.

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 the following :-

- (a) The number of warrants outstanding as at 31 March 2009 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.
- (b) During the current quarter, the Company bought back 170,000 of its issued and paid-up shares from the open market at an average price of RM2.70 per share. Total consideration paid for the buybacks including transaction costs was RM458,834 and these buybacks were financed by internally generated funds. Total shares bought back as at 31 March 2009 amounted to 5,170,000 shares totalling RM11,632,798 at an average price of RM2.25 per share.

All the bought back shares are being retained as treasury shares.

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 2009		Current Quarter 1 Jan - 31 Mar 2008	
	Revenue	Operating Profit/(loss)	Revenue	Operating Profit/(loss)
<u>Malaysia</u>				
Pizza Hut restaurants	84.4	8.8	85.8	9.4
KFC restaurants	303.9	35.2	-	-
Integrated Poultry	112.5	1.3	-	-
Ancillary	8.2	0.5	-	-
	<u>509.0</u>	<u>45.8</u>	<u>85.8</u>	<u>9.4</u>
<u>Foreign</u>				
Pizza Hut restaurants	40.3	1.3	42.6	1.7
KFC restaurants	84.9	1.7	0.4	(0.9)
	<u>125.2</u>	<u>3.0</u>	<u>43.0</u>	<u>0.8</u>
Consolidated Total	<u>634.2</u>	<u>48.8</u>	<u>128.8</u>	<u>10.2</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 2008.

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

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

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	37,260
- approved but not contracted for	209,106
	<u>246,366</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 RM634.2 million for the current quarter, representing an increase of 392.4% over prior year corresponding period of RM128.8 million. Revenue for the current quarter included that of KFCH group which became its subsidiary with effect from 2 January 2009. On a comparative basis (ie excluding KFCH group), QSR turned in a revenue of RM126.8 million representing a decline of 1.6% over that of prior year period.

The Group registered a profit before tax of RM48.8 million in the current quarter as against previous year corresponding period of RM23.4 million. Profit before tax for the current quarter included that of KFCH group. On a comparative basis (ie excluding the KFCH group), QSR recorded a profit before tax of RM7.9 million representing a decline of 22.6% over that of prior year period. Earnings per share decreased by 9.8% from 7.95 sen in prior year to 7.17 sen in the current quarter.

The Group continued to expand its network to broaden customers reach where 4 new Pizza Hut outlets were opened in Malaysia in the period under review. It introduced new products such as Golden Happiness Cheesy Crown Pizza and Valentine Pair Deals to drive transactions.

Though the weak economic conditions negatively impacted sales, the Group recognizes consumers preference for value by introducing new variants of the successful Sensasi Delight combo value meals to provide a value layer proposition.

Its Singapore operations' lower sales were attributed to tough economic environment there. However it continued to create excitement and drive transactions at the restaurants via the introduction of new products such as Ingot Crust Prosperity Pizza, Hearty Set Meals and Valentine's Day Love Berry Pizza.

KFC Cambodia, which commenced operations in March 2008, has four operating outlets currently. It registered encouraging sales but its profitability was affected by start-up costs and high costs of imported raw materials. Management is actively taking steps to source for cheaper alternatives.

KFCH generated better results with improved sales at its restaurants with a pre-tax profit of RM40.9 million as compared to RM40.1 million in the prior year's corresponding period. This represented a 2.1% increase in year-on-year profitability.

B2. Material Changes in the Quarterly Results

The Group registered a turnover of RM634.2 million, an increase of 350.1% over previous quarter's RM140.9 million. Revenue for the current quarter included that of the KFCH group. On a comparative basis (ie excluding KFCH group), it recorded a revenue of RM126.8 million representing a decline of 10% over that of previous quarter.

The Group registered a profit before tax of RM48.8 million in the current quarter as against RM25.6 million in the previous quarter. After minority interest, it recorded a net profit of RM20.2 million as against RM21.8 million in the previous quarter. Earnings per share declined from 7.89 sen in the previous quarter to 7.17 sen in the current quarter. The lower profit in the current quarter was primarily due to the lower sales arising from the weaker economic conditions.

B3. Current Year Prospects

The global economy deteriorated further during the first quarter. In Singapore, initial estimates indicated that the Singapore economy registered a negative growth of 11.5% in the first quarter and the Ministry of Trade and Industry announced that its Gross Domestic Product would contract by 6% to 9% in 2009. (Source : Ministry of Trade and Industry, Singapore). It was widely expected that the Malaysian economy will improve in the second half of 2009 supported by the stabilization in global economic conditions. These expectations were however dampened by the outbreak of Influenza A (H1N1) in late April 2009, which may slow down the economic recovery process.

With the prevalent economic uncertainties, consumer spending is expected to be negatively affected. Thus the Group will continue to focus on value to customers by offering value for money products to align with its customers spending ability.

Based on the foregoing, the Board is optimistic of sustaining the Group's performance in the balance of the year. The Group has laid down plans to increase revenue and profitability by increasing the restaurants network, enhancing customer experience, developing new and improved products, expanding business activities, developing better cost efficiencies and improving productivity at all 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	13,059
Foreign tax	957
	<hr/>
	14,016
Deferred tax	(16)
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	<u>14,000</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

There are no uncompleted corporate proposals announced as at the date of this announcement.

B10. Borrowings and Debt Securities

		As at 31 March 2009
		RM'000
Short term borrowings:-		
Secured	- Term Loan I (SGD2,400,000)	5,700
	- Term Loan II (SGD2,550,000)	6,056
	- Term Loan IV	20,000
	- Term Loan V	586

		32,342
Unsecured	- Term Loan III	45,000
	- Term Loan VI	5,177
	- Murabahah Revolving Financing (MRF)	21,000
	- Bankers' Acceptance	4,636

		108,155
		=====
Long term borrowings:-		
Secured	- Term Loan VII	173,000
	- Term Loan IV	30,000
	- Term Loan V	1,639

		204,639
Unsecured	- Term Loan VI	22,432

		227,071
		=====

- (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 RM3.5 million.
- (b) The Singapore currency denominated Term Loan II under KFCH 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 RM3.7 million cash deposit.
- (c) The unsecured Term Loan III of RM45 million under KFCH is repayable in the second quarter of year 2009.
- (d) The secured Term Loans IV were a partial drawdown of a total loan facility of RM150 million which was arranged to partly finance the redemption of the ABBA NIF. This facility is repayable semi-annually over a period of 4 - 7 years commencing from the first quarter of year 2009 and is secured against 1st and 3rd party charges over certain land and buildings owned by the Company's subsidiaries.
- (e) The secured Term Loans V of RM2.4 million and RM1.4 million obtained by Tepak Marketing Sdn Bhd were secured by certain of its land and buildings, cash deposit of RM200,000, corporate guarantee of Sindora Berhad (the previous majority shareholder) and a debenture on its assets. The two term loans are repayable over a period of 7 years expiring in the fourth quarter of year 2013 and third quarter of year 2011 respectively.
- (f) The unsecured Term Loan VI of RM27.6 million is repayable over a period of 4 years commencing from the third quarter of year 2009.

- (g) The short term unsecured Murabahah Revolving Financing Facilities of RM21 million is due for repayment on 25 April 2009.
- (h) The bankers' acceptance of RM4,636,000 was drawn for imported raw materials purchases and is due for repayment on 12 June 2009.
- (i) Term Loan VII which is secured by certain quoted and unquoted shares of its subsidiaries was drawn in the third quarter of year 2008 to refinance the existing term loans, revolving credit facilities and partially finance the acquisition of KFCH shares. This loan is repayable semi-annually over a period of 5 ½ years commencing from the third quarter of year 2010.

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

There was no material litigation pending as at the date of this report.

B13. Dividends Proposed

There was no dividend proposed during the current quarter (2008 : Nil).

B14. Earnings Per Share

	CURRENT QUARTER	
	1 Jan - 31 Mar	
	2009	2008
Profit attributable to equity holders of the Company (RM'000)	20,188	20,453
Weighted average number of ordinary shares in issue ('000)	281,372	257,160
Basic earnings per share (sen)	<u>7.17</u>	<u>7.95</u>

There was no dilution in its earnings per share as the unexercised 40,911,847 convertible warrants 2008/2013 were anti-dilutive in nature. This was because the market price of a QSR share at 31 March 2009 of RM2.82 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 currencies in the Group for the current financial period were :-

	THIS YEAR CURRENT QUARTER		PRECEEDING YEAR CORRESPONDING QUARTER	
	MTH-END RATE RM	AVERAGE RATE RM	MTH-END RATE RM	AVERAGE RATE RM
Hong Kong (HK\$)	0.4594	0.4610	0.4213	0.4209
Brunei Darussalam (B\$)	2.3750	2.3700	2.3380	2.3250
Singapore (S\$)	2.3750	2.3700	2.3375	2.3245
US Dollar (USD)	3.6270	3.6410	3.2310	3.2320

By Order of the Board
QSR BRANDS BHD

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

Date: 21 May 2009