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 Cyclicality 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 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 30 June 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.

(c) The Company bought back 3,050,000 of its issued and paid-up shares from the open market at an average price of RM2.19 per share. Total consideration paid for the buybacks including transaction costs was RM6,688,912 and these buybacks were financed by internally generated funds.

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

A7. Dividend Paid

Dividend paid on 28 May 2008 was declared on 8 April 2008, in respect of the year ended 31 December 2007 being final dividend of 5 sen less 26% taxation per share, on 284,908,929 ordinary shares, amounted to RM10,541,623.

A8. Segmental Information

RM'million	Cumulative Quarters 1 Jan – 30 June 2008 Revenue	Cumulative Quarters 1 Jan – 30 June 2008 Operating Profit/(loss)	Cumulative Quarters 1 Jan – 30 June 2007 Revenue	Cumulative Quarters 1 Jan – 30 June 2007 Operating Profit
Malaysia				
Pizza Hut restaurants	172.0	18.8	136.6	8.2
Foreign				
Pizza Hut Singapore	86.4	3.2	76.8	3.5
KFC Cambodia	1.6	(1.4)	-	-
	88.0	1.8	76.8	3.5
Consolidated Total	260.0	20.6	213.4	11.7

RM'million	Current Quarter 1 Apr – 30 June 2008 Revenue	Current Quarter 1 Apr – 30 June 2008 Operating Profit/(loss)	Current Quarter 1 Apr – 30 June 2007 Revenue	Current Quarter 1 Apr – 30 June 2007 Operating Profit
Malaysia				
Pizza Hut restaurants	86.3	9.4	71.1	4.6
Foreign				
Pizza Hut Singapore	43.7	1.6	38.5	2.1
KFC Cambodia	1.2	(0.6)	-	-
	44.9	1.0	38.5	2.1
Consolidated Total	131.2	10.4	109.6	6.7

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

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

2. On 24 June 2008, the Company acquired the entire issued and paid-up share capital of the following dormant companies from KFCH Group :

   (i) Signature Chef Holdings Sdn Bhd – comprising 3 ordinary shares of RM1.00 each for cash consideration of RM3.00;
   (ii) Sterling Distinction Sdn Bhd – comprising 2 ordinary shares of RM1.00 each for cash consideration of RM2.00; and
   (iii) SBC Coffee Holdings Sdn Bhd – comprising 2 ordinary shares of RM1.00 each for cash consideration of RM2.00.

3. The Company acquired 3,870,000 ordinary shares in KFC Holdings (Malaysia) Bhd ("KFCH") for the period 2 May 2008 to 30 June 2008 representing 1.95% of the issued and paid-up share capital of KFCH for a total purchase consideration of RM25,553,213. Following the acquisition, the Company's shareholdings in KFCH increased from 46.79% to 48.74%.

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	1,353
	- approved but not contracted for	28,544
		29,897

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 RM260.0 million for the current period, representing an increase of 21.8% over prior year corresponding period of RM213.4 million.

The Group's operating profit before share of profits of associate increased by 75.7% to RM20.6 million (2007 : RM11.7 million). Including the share of profits of its associate, KFCH, the Group's profit before tax improved to RM48.4 million from RM31.9 million in the corresponding period last year.

The revenue improvement was attributed to the continuing network expansion where 6 new Pizza Hut outlets were opened in Malaysia in the period under review and the net addition of 14 outlets to the network since July 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. The introduction of new products such as the Mexican Fiesta Bonanza, Golden Happiness Cheesy Crown Pizza, Italiano Paradiso pizza and the Hot Delivery campaign boosted same store sales and transactions.

Though the restaurants profitability was 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 were attributed to the successful launches of its Double Treats Delight promotion, Pasta Perfetto promotion and new products such as Prosperity Pizza, Amore Italia Pizza and Specialty Crispy Thin Pizza and the net addition of 5 outlets since July 2007. However its profitability was dampened by the increasing cost of raw materials.

KFC Cambodia commenced operations in March 2008 with its first outlet at Phnom Penh. It registered encouraging sales since opening but its profitability was affected by start-up costs and rising costs of raw materials.

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 RM83.3 million as compared to RM67.1 million in the prior year's corresponding period. This represented a 24.1% increase in year-on-year profitability.

B2. Material Changes in the Quarterly Results

The Group registered a turnover of RM131.2 million, an increase of 1.8% over previous quarter's RM128.8 million. Its operating profit before share of profits of associate increased to RM10.4 million in the current quarter from RM10.2 million in the previous quarter.

Including its share of profits in KFCH, the Group registered an increase in its profit before tax in the current quarter. Earnings per share increased from 7.95 sen in the previous quarter to 8.04 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 is projected to achieve a growth of 4 – 5% in the current year.

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 current 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 7.7% in June 2008 and expected to trend higher in July 2008 (source : Bank Negara Malaysia) with the electricity tariff increase of 18% - 26% while Singapore recorded an average inflation rate of 7.0% for the 1st half of 2008. 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 sustain existing product offerings and introduce new product offerings that focus on value to customers.

Based on the foregoing and in spite of the economic uncertainties, the Board is confident of better performance in the current year. The Group will continue to drive 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	Cumulative Quarters RM'000
Tax expense for the period :-		
Malaysian income tax	3,009	5,500
Foreign tax	348	714
	3,357	6,214
Deferred tax	73	586
	3,430	6,800

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 during the financial period under review. However there was a sale of property to KFCH during the period which resulted in a gain on disposal of RM56,333.

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 30 June 2008 RM'000
Short term borrowings:-		
Secured	- Term loan I (SGD4,800,000)	11,628
	- Term loan II	5,000
	- Term loan III	22,026
		38,654
Unsecured	- Revolving credit	15,000
		53,654
Long term borrowings:-		
Secured	- Term loan II	111,367

(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 RM6.9 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

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

B13. Dividend Proposed

The Board of Directors has during the quarter under review declared an interim dividend of 4 sen less tax of 26% (2007 : 4 sen less tax of 27%) per ordinary share in respect of the financial year ending 31 December 2008 which will be paid on 8 October 2008 to shareholders whose names appear on the Record of Depositors as at 19 September 2008, ie :-

a) shares transferred into the Depository's Securities Account before 4p.m. on 19 September 2008 in respect of ordinary transfers ; and

b) shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

B14. Earnings Per Share

	CURRENT QUARTER 1 Apr – 30 June		CUMULATIVE QUARTERS 1 Jan – 30 June	
	2008	**2007**	**2008**	**2007**
Profit attributable to equity holders of the Company (RM'000)	21,758	15,067	42,211	28,347
Weighted average number of ordinary shares in issue ('000)	270,788	245,338	270,788	245,338
Basic earnings per share (sen)	8.04	6.14	15.59	11.55

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 QSR share at 30 June 2008 of RM2.30 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 were :-

	THIS YEAR CURRENT QUARTER		PRECEEDING YEAR CORRESPONDING QUARTER	
	MTH-END RATE RM	AVERAGE RATE RM	MTH-END RATE RM	AVERAGE RATE RM
Singapore (S$)	2.4225	2.3695	2.2530	2.2590
US Dollar (USD)	3.2970	3.3210	-	-

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: 20 August 2008