

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

This interim financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134, Interim Financial reporting, issued by the Malaysian Accounting Standards Board (MASB). The Interim Financial Report should be read in conjunction with the Group's audited financial statement for the year ended 31 December 2010.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the last audited financial statements for the financial year ended 31 December 2010.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with the audited financial statements for the year ended 31 December 2010. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2010.

On 1 January 2011, the Group adopted the following FRSs, Amendments to FRSs and IC Interpretations:-

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 2	Share-based Payment
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 138	Intangible Assets
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 12	Service Concession Agreements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
Improvements to FRSs issued in 2010	

Adoption of the above FRSs, Amendments to FRSs and IC Interpretations did not have any material impact on the financial performance, position or presentation of financials of the Group.

A3. Status on Qualification of Audited Financial Statements

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

A4. Seasonality or Cyclicity of Operations

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

A5. Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash flows

There were no significant items which unusually affect assets, liabilities, equity, net income or cash flows during the financial period.

A6. Change 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 period.

A7. Debt and Equity Securities

There were no cancellation, 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 RM 290,682,067 as at 31 December 2010 to RM 295,137,386 as a result of the issuance of 4,455,319 ordinary shares of RM 1.00 each upon the conversion of 4,455,319 warrants at the exercise price of RM 3.01 per share.
- (b) The number of warrants outstanding as at 30 September 2011 was 32,157,390. Each warrant entitles the holder the right to subscribe for a new ordinary share of RM 1.00 each in the Company at an exercise price of RM 3.01 per share. The warrants will expire on 5 March 2013.
- (c) During the current period, the Company bought back 1,765,400 of its issued and paid-up shares from the open market at an average price of RM 5.72 per share. Total consideration paid for the buybacks including transaction costs was RM 10,104,631 and these buybacks were financed by internally generated funds. Total shares bought back as at 30 September 2011 amounted to 14,396,300 shares totaling RM 44,189,487 at an average price of RM 3.07 per share.

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

A8. Dividend Paid

There was no dividend paid during the quarter.

A9. Operating Segments

RM'million	Cumulative Quarters 1 Jan - 30 Sep 2011		Cumulative Quarters 1 Jan - 30 Sep 2010	
	Revenue	Operating Profit/(loss)	Revenue	Operating Profit/(loss)
<u>Malaysia</u>				
Pizza Hut restaurants	316.6	37.0	298.4	36.2
KFC restaurants	1,200.2	148.6	1,088.9	139.6
Integrated Poultry	398.2	1.5	375.8	3.4
Education	2.9	(5.2)	0.7	(0.9)
Ancillary	29.3	(2.7)	29.8	0.4
	<u>1,947.2</u>	<u>179.2</u>	<u>1,793.6</u>	<u>178.7</u>
<u>Foreign</u>				
Pizza Hut Singapore	142.1	5.5	125.2	2.8
KFC Cambodia	8.7	(3.9)	8.3	(2.9)
KFC Singapore	300.7	13.1	262.9	11.4
KFC Brunei	14.3	0.8	11.5	1.4
KFC India	13.8	(6.8)	2.9	(2.2)
	<u>479.6</u>	<u>8.7</u>	<u>410.8</u>	<u>10.5</u>
Consolidated Total	<u>2,426.8</u>	<u>187.9</u>	<u>2,204.4</u>	<u>189.2</u>

RM'million	Current Quarter 1 Jul - 30 Sep 2011		Current Quarter 1 Jul - 30 Sep 2010	
	Revenue	Operating Profit/(loss)	Revenue	Operating Profit/(loss)
<u>Malaysia</u>				
Pizza Hut restaurants	98.6	11.5	92.8	10.7
KFC restaurants	404.3	46.5	373.3	50.5
Integrated Poultry	141.9	0.6	134.2	1.0
Education	1.7	(1.9)	0.3	(0.5)
Ancillary	9.5	(0.8)	8.4	(0.8)
	<u>656.0</u>	<u>55.9</u>	<u>609.0</u>	<u>60.9</u>
<u>Foreign</u>				
Pizza Hut Singapore	47.4	1.3	40.3	0.5
KFC Cambodia	3.3	(1.2)	2.7	(1.3)
KFC Singapore	105.1	4.8	88.9	4.0
KFC Brunei	4.8	0.2	3.8	1.4
KFC India	4.9	(2.5)	1.8	(0.4)
	<u>165.5</u>	<u>2.6</u>	<u>137.5</u>	<u>4.2</u>
Consolidated Total	<u>821.5</u>	<u>58.5</u>	<u>746.5</u>	<u>65.1</u>

A10. 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 2010.

A11. Material event subsequent to the end of the interim period

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

A12. Changes in the Composition of the Group

On 19 September 2011, the Company announced the re-organisation of its group structure resulting in the Company purchasing the following wholly-owned subsidiary companies: -

Target Companies	Vendor	Cost (RM)
Pizza Hut Restaurants Sdn Bhd	Pizza Hut Holdings (Malaysia) Sdn Bhd	44,134,000.00
PH Property Holdings Sdn Bhd	Pizza Hut Holdings (Malaysia) Sdn Bhd	2.00
Multibrand QSR Holdings Pte Ltd	Pizza Hut Holdings (Malaysia) Sdn Bhd	10,000,004.00

Announcements made by KFCH, a subsidiary of the Company

1. On 2 August 2011, KFCH announced that it had through KFC Marketing Sdn Bhd entered into a Sale and Purchase of Shares incorporating Shareholders' Agreement with Ayamazz Sdn Bhd and Mohamed Hashim bin Mohd Kamil ("Intrapreneur").

The agreement enables the Intrapreneur to subscribe/purchase ordinary shares representing up to 25% equity interest in Ayamazz Sdn Bhd arising from the implementation of the Group's Intrapreneur Scheme.

2. On 19 September 2011, KFCH announced the re-organisation of its group structure resulting in KFCH purchasing the following subsidiary companies: -

Target Companies	Vendors	Cost (RM)
KFC (Sarawak) Sdn Bhd	KFC (East Malaysia) Sdn Bhd	2,198,426.00
KFC (Sabah) Sdn Bhd	KFC (East Malaysia) Sdn Bhd	4,362,507.75
KFC (Peninsular Malaysia) Sdn Bhd	KFC Restaurants Holdings Sdn Bhd	9,250,008.00
Kentucky Fried Chicken (Malaysia) Sdn Bhd	KFC Restaurants Holdings Sdn Bhd	2,406,183.00
Asbury's (Malaysia) Sdn Bhd	KFC Restaurants Holdings Sdn Bhd	1,145,006.44
WQSR Holdings (S) Pte Ltd	KFC Restaurants Holdings Sdn Bhd	10,000,004.00
KFC (East Malaysia) Sdn Bhd	KFC Restaurants Holdings Sdn Bhd	6,038,228.90
Ayamas Shoppe Sdn Bhd	Ayamas Food Corporation Sdn Bhd	1,828,825.00
Rasamas Holdings Sdn Bhd	Ayamas Food Corporation Sdn Bhd	3,000,000.00

A13. Changes in Contingent Liabilities and Contingent Assets

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

A14. Capital Commitment

	RM'000
Capital expenditure : Property, plant and equipment	
- authorised but not contracted for	246,471
- contracted but not provided for	28,549
	<u>275,020</u>

A15. Impairment of Assets

There were no significant impairment losses recognised by the Company and the Group for the financial year.

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS

B1. Detailed analysis of the Performance of all operating segments of the Group

The Group registered revenue of RM 2,426.8 mil for the cumulative quarters, representing an increase of 10.1% over prior year corresponding period of RM 2,204.4 mil.

Profit before tax declined marginally by 0.7% to RM 187.9 mil in the current period as against previous year corresponding period of RM 189.2 mil.

Below is the detailed analysis by business segment:

(a) Pizza Hut Restaurants Segment

Malaysia Operations

Revenue improved by 6.1% to RM 316.6 mil (2010: RM 298.4 mil) while profit before tax remained relatively unchanged at RM 37.0 mil (2010: RM 36.2 mil). Although turnover posted a moderate growth, profit was affected by inflationary cost pressures arising from higher food cost, labour cost and energy cost.

During the period October 2010 till September 2011, 21 new restaurants were added (including PHD delivery outlets) increasing its network to 239 restaurants at the end of September 2011 (2010: 218 restaurants). The Group continued to drive sales transactions by launching new products and promotions and also investing in thematic advertising for brand building. Some of the promotions successfully launched were the Ring of Fortune Pizza, Big Shot Cheesy Pops Pizza, Wingstreet, Citarasa Ramadan, Chunky Loaded Pizza, etc.

Singapore Operations

Revenue increased by 13.5% to RM 142.1 mil (2010: RM 125.2 mil) and profit increased by 96.4% to RM 5.5 mil (2010: RM 2.8 mil).

During the period October 2010 till September 2011, 2 new restaurants were added increasing its network to 50 restaurants at the end of September 2011 (2010: 48 restaurants). New products and promotions were launched such as CNY Prosperity Pizza and Loveberry Pizza including a thematic campaign involving Pan Pizza with 30% more cheese which were well received by customers.

(b) KFC Restaurants Segment

Cambodia Operations

Revenue improved by 4.8% to RM 8.7 mil (2010: RM 8.3 mil) but loss increased to RM 3.9 mil (2010: RM 2.9 mil). There were 10 restaurants as at end September 2011 with no new openings during the period under review. The dismal result was affected by Cambodia's weak economy but this is however showing signs of recovery. The menu was also revamped by offering products that suit local demands and it is showing encouraging results that will contribute positively to earnings.

(c) KFC Holdings (Malaysia) Bhd Group of Companies

The KFCH Group achieved revenue of RM 2,032.1 mil for the cumulative quarters, representing a growth of 10.5% over prior year corresponding period of RM 1,838.4 mil. It posted a lower profit before tax of RM 154.5 mil in the cumulative quarters as against prior year's corresponding period of RM 158.4 mil.

Whilst the Group recorded a respectable revenue growth, its profitability was affected by cost pressures arising from higher restaurants' supplies costs, labour costs and energy costs and was also affected by the initial years start-up loss incurred by KFC India and the KFCH International College.

B2. Material Changes in the Quarterly Results

The Group registered turnover of RM 821.5 mil in the current quarter, an increase of 10.0% over previous year corresponding period of RM 746.5 mil. However, profit before tax decreased by 10.1% to RM 58.5 mil in the current quarter from RM 65.1 mil in the previous year corresponding quarter.

The Group continued to achieve commendable sales growth amid a challenging economic environment. All business segments continued to be subjected to inflationary pressures with higher supplies costs, commodity costs and energy costs.

The Group's investments in KFC India and KFCH International College continue to incur initial start-up loss before they achieve critical mass of operations. As for KFC Cambodia, the loss for the quarter reduced on the back of substantially higher revenue. As mentioned, this was achieved upon revamping the menu in response to local market demands and the revenue growth is expected to sustain and contribute positively to earnings.

B3. Prospects for the Year

The economic crisis in Europe and sluggish growth in America remain a concern and continue to affect the sentiment of global investors as well as consumers. Nevertheless, the emerging economies in Asia are still resilient at this stage. The Malaysian economy is largely sustained by the implementation of projects under the Government's ETP and private capital spending. Coupled with the incentives announced during the recent 2012 Budget, it is expected to stimulate consumers' confidence and domestic demand. The economies of the other markets where the Group operates such as in Singapore, Brunei and India are still robust with healthy GDP growth while Cambodia is steadily recovering.

The food sector continues to face inflationary pressures. To mitigate these risks, the Group continues to develop and introduce new products and launch promotions with value propositions for the consumers, investing in new facilities or refurbishing existing ones and improving customer service, all with the aim of enhancing customer experience and convenience in order to drive transaction and profits through repeat visits and purchases. The Group is also continuously seeking better cost efficiencies and improving productivity at all its business segments.

Based on the foregoing, the Board is confident of the Group registering satisfactory performance for the balance of the year.

B4. Profit Forecast/Profit Guarantee

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

B5. Taxation

	Current Quarter RM'000	Cumulative Quarters RM'000
Income tax expense for the period :-		
Malaysian income tax	15,757	51,014
Foreign tax	1,456	4,534
	<hr/>	<hr/>
	17,213	55,548
Deferred tax	1,449	3,614
	<hr/>	<hr/>
	18,662	59,162

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.

B6. Status of Uncompleted Corporate Announcement

Announcements made by KFCH, a subsidiary of the Company

1. KFCH had on 27 December 2007 announced the purchase of a piece of land (including all factories, buildings, structures, infrastructure and facilities built or erected on the land) measuring 20.533 acres that forms part of a leasehold industrial land (expiring on 30 January 2041) held under document of title HS (D) 2276, PTD 1384, Mukim Hulu Sungai Johor, Kota Tinggi, Johor for a cash consideration of RM 6,150,000 from Sindora Berhad.

KFCH is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement with the Vendor.

2. KFCH had on 10 July 2008 announced the purchase of a part of the land measuring 1.18 acres held under HS(D) 367670 PTD104984, in the Mukim of Tebrau, Daerah Johor Bahru, Johor, via its wholly-owned subsidiary, SPM Restaurants Sdn Bhd for a cash consideration of RM 4,034,963.

KFCH had on 18 September 2009 announced that KFCH and Damansara Realty (Johor) Sdn Bhd, the Vendor, have mutually agreed that the Sale and Purchase Agreement have been varied with the execution of the Supplemental Sale and Purchase Agreement on 18 September 2009.

KFCH is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement with the Vendor.

3. KFCH on 11 July 2011 announced the purchase of part of the freehold vacant commercial land measuring approximately 3.095 acres or 134,818 sq ft on part of Lot PTD 156352 (previously under part of Lot 84134) located within Bandar Dato' Onn ("BDO") ("Parcel 2") at a total consideration of RM 9,167,624.00 or RM 68.00 per sq. ft. from Johor Land Berhad.

KFCH is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement with the Vendor.

B7. Borrowings and Debt Securities

	As at 30 Sep 2011 RM'000	As at 31 Dec 2010 RM'000
Current		
Secured		
- Term Loans (denominated in RM)	4,944	20,557
Unsecured		
- Term Loans (denominated in RM)	20,675	15,463
- Term Loans (denominated in USD)	3,861	1,157
- Bankers' Acceptance (denominated in RM)	26,713	5,682
- Revolving Credit (denominated in RM)	-	5,000
- Bank Overdraft (denominated in USD)	-	1,148
	<u>56,193</u>	<u>49,007</u>
Non-current		
Secured		
- Term Loans (denominated in RM)	220,425	184,610
Unsecured		
- Term Loans (denominated in RM)	84,806	85,724
- Term Loans (denominated in USD)	30,910	21,403
	<u>336,141</u>	<u>291,737</u>
	<u>392,334</u>	<u>340,744</u>

B8. Material Litigation, Claims and Arbitration

There were no material litigations, claims and arbitration outstanding.

B9. Dividend proposed

There was no dividend proposed during the current quarter (2010 : Nil).

The Company declared a single tier dividend of 5 sen per ordinary share in respect of the financial year ending 31 December 2011. The dividend was paid on 7 October 2011.

B10. Earnings Per Share

Earnings	CURRENT QUARTER		CUMULATIVE QUARTERS	
	1 Jul - 30 Sep 2011 (RM'000)	2010 (RM'000)	1 Jan - 30 Sep 2011 (RM'000)	2010 (RM'000)
Profit attributable to owners of the Company	<u>22,668</u>	<u>25,333</u>	<u>74,410</u>	<u>74,915</u>
Weighted average number of shares				
a) Basic	(‘000)	(‘000)	(‘000)	(‘000)
Weighted average number of ordinary shares in issue	<u>278,928</u>	<u>274,659</u>	<u>278,928</u>	<u>274,659</u>
b) Diluted earnings per share				
Weighted average number of ordinary shares in issue	278,928	274,659	278,928	274,659
Adjustment for assumed exercised of warrants	<u>15,055</u>	<u>8,004</u>	<u>15,055</u>	<u>8,004</u>
Adjusted weighted average number of ordinary shares	<u>293,983</u>	<u>282,663</u>	<u>293,983</u>	<u>282,663</u>
Basic earnings per share (sen)	<u>8.13</u>	<u>9.22</u>	<u>26.68</u>	<u>27.28</u>
Diluted earnings per share (sen)	<u>7.71</u>	<u>8.96</u>	<u>25.31</u>	<u>26.50</u>

B11. Currency Translation

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

	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\$)	0.3976	0.3847	0.3868	0.3894
Brunei Darussalam (B\$)	2.4260	2.4350	2.3140	2.3020
Singapore (S\$)	2.4260	2.4350	2.3140	2.3020
US Dollar (USD)	3.1520	3.0495	3.0540	3.0780
Indian Rupee (INR)	0.0632	0.0631	0.0674	0.0666

B12. Realised and unrealised profits or losses

Pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, the breakdown of retained profits of the Group as at the reporting date, is as follows :-

	As at 30 Sep 2011 RM'000	As at 31 Dec 2010 RM'000
The retained earnings of the Group is made up as follows :-		
- Realised	844,505	807,307
- Unrealised	<u>(53,571)</u>	<u>(49,957)</u>
	790,934	757,350
Less : Consolidation adjustments	<u>(300,539)</u>	<u>(322,248)</u>
Total retained earnings	<u><u>490,395</u></u>	<u><u>435,102</u></u>

By Order of the Board
QSR BRANDS BHD

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IDHAM JIHADI BIN ABU BAKAR (MAICSA 7007381)
HENG AI LENG (MAICSA 7017245)
(COMPANY SECRETARIES)

Date: 25 November 2011