

**QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED
31 DECEMBER 2005**

CONDENSED CONSOLIDATED INCOME STATEMENTS

	CURRENT YEAR QUARTER 31/12/2005 RM'000	PRIOR YEAR QUARTER 31/12/2004 RM'000	CURRENT YEAR TO DATE 31/12/2005 RM'000	PRIOR YEAR TO DATE 31/12/2004 RM'000
Revenue	102,090	90,162	386,146	262,796
Operating expenses	(87,761)	(84,643)	(347,699)	(243,115)
Other operating income	1,715	230	3,157	568
Profit from operations	16,044	5,749	41,604	20,249
Finance cost	(2,635)	(1,941)	(9,570)	(5,728)
Operating profit before amortisation of goodwill, share of results of associates and exceptional items	13,409	3,808	32,034	14,521
Amortisation of goodwill	-	1,266	-	-
Exceptional items	-	-	(1,861)	108,930
Profit before taxation and share of results of associates	13,409	5,074	30,173	123,451
Share of results of associates	13,100	10,770	1,525	17,507
Profit before taxation	26,509	15,844	31,698	140,958
Taxation	(8,705)	(3,820)	(21,474)	(8,734)
Net profit for the year	17,804	12,024	10,224	132,224
Earnings per share (sen) :				
(a) Basic	7.77	7.96	4.46	87.49
(b) Fully diluted	7.63	6.99	4.38	76.82

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

QSR BRANDS BHD (599171-D)
CONDENSED CONSOLIDATED BALANCE SHEETS

	AS AT END OF CURRENT QUARTER 31/12/2005 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31/12/2004 RM'000
Non-Current Assets		
Property, Plant and Equipment	89,667	83,738
Investment in Associates	306,915	325,092
Goodwill on Consolidation	50,605	50,605
Intangible Assets	7,085	6,113
	<u>454,272</u>	<u>465,548</u>
Current Assets		
<i>Inventories</i>	14,039	12,895
<i>Assets held for sale</i>	1,151	-
<i>Trade and Other Receivables</i>	15,191	16,678
<i>Tax Recoverable</i>	733	1,047
<i>Cash and Bank Balances</i>	104,853	29,801
	<u>135,967</u>	<u>60,421</u>
Current Liabilities		
<i>Trade and Other Payables</i>	49,711	52,977
<i>Borrowings</i>	7,336	109,108
	<u>57,047</u>	<u>162,085</u>
Net Current Assets/(Liabilities)	<u>78,920</u>	<u>(101,664)</u>
	<u>533,192</u>	<u>363,884</u>
Financed By :		
Share Capital	239,288	196,698
Reserves		
<i>Share Premium</i>	7,977	82
<i>Revaluation Reserve</i>	596	-
<i>Exchange Fluctuation Reserve</i>	(57)	(397)
<i>Retained Earnings</i>	130,351	132,153
Shareholders' Equity	<u>378,155</u>	<u>328,536</u>
Long Term Borrowings	148,375	30,022
Deferred Taxation	6,662	5,326
	<u>533,192</u>	<u>363,884</u>
Net assets per share (RM)	1.58	1.67

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<-----Non-distributable----->				Distributable	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Earnings RM'000	
At 1 January 2005	196,698	82	-	(397)	132,153	328,536
Net profit for the year	-	-	-	-	10,224	10,224
Dividend - 2004 First & Final	-	-	-	-	(6,857)	(6,857)
- 2005 Interim	-	-	-	-	(5,169)	(5,169)
Issue of shares - conversion of warrants	42,590	7,895	-	-	-	50,485
Revaluation surplus, net of tax :						
Property, plant & equipment	-	-	596	-	-	596
Translation differences	-	-	-	340	-	340
At 31 December 2005	<u>239,288</u>	<u>7,977</u>	<u>596</u>	<u>(57)</u>	<u>130,351</u>	<u>378,155</u>
At 1 January 2004	*	-	-	-	(71)	(71)
Net profit for the year	-	-	-	-	132,224	132,224
Issue of shares pursuant to Restructuring Exercise						
- Share and Warrant Swap	196,070	-	-	-	-	196,070
Issue of shares - conversion of warrants	628	82	-	-	-	710
Translation differences	-	-	-	(397)	-	(397)
At 31 December 2004	<u>196,698</u>	<u>82</u>	<u>0</u>	<u>(397)</u>	<u>132,153</u>	<u>328,536</u>

* Note : The Company had an issued share capital of RM2.00

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

QSR BRANDS BHD (599171-D)
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	CURRENT YEAR TO DATE 31/12/2005 RM'000	PRIOR YEAR TO DATE 31/12/2004 RM'000
Operating activities		
Profit before taxation	31,698	140,958
Adjustments for :		
Share of results of associates	(1,525)	(17,507)
Net gain on disposal of investments	-	(108,930)
Restructuring expenses	-	(5,000)
Impairment losses arising from revaluation of properties	33	-
Interest expense	9,570	5,728
Non-cash items	19,737	13,481
Operating profit before working capital changes	<u>59,513</u>	<u>28,730</u>
Changes in working capital :		
Net change in current assets	343	(9,735)
Net change in current liabilities	(3,266)	(249,411)
Cash generated from/(used in) operations	<u>56,590</u>	<u>(230,416)</u>
Interest paid	(9,570)	(5,728)
Taxation paid	(8,160)	(4,100)
Net cash generated from/(used in) operating activities	<u>38,860</u>	<u>(240,244)</u>
Investing activities		
Equity investments	7,806	190,804
Other investments	(26,654)	(20,032)
Net cash (used in)/generated from investing activities	<u>(18,848)</u>	<u>170,772</u>
Financing activities		
Issuance of shares	50,485	710
Payment of dividend	(12,026)	-
Bank borrowings	16,581	98,558
Net cash generated from financing activities	<u>55,040</u>	<u>99,268</u>
Net change in cash and cash equivalents	75,052	29,796
Cash and cash equivalents at beginning of year	29,801	5
Cash and cash equivalents at end of year	<u>104,853</u>	<u>29,801</u>
Cash and cash equivalents comprise of :		
<i>Deposits with Financial Institutions</i>	82,464	22,538
<i>Cash and Bank Balances</i>	<u>22,389</u>	<u>7,263</u>
	<u>104,853</u>	<u>29,801</u>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

NOTES

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MASB 26 : Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2004.

Goodwill arising from consolidation is capitalised as an asset and is reviewed for impairment at the financial year end following the acquisition and in other periods if events or changes in circumstances indicated that the carrying value may not be recoverable.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2004 other than the following:

- a) revaluation of properties included within property, plant and equipment as stated below :-

Properties are stated at valuation less impairment losses. Revaluations are made at least once in every five years based on a 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. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

- b) early adoption of the new Financial Reporting Standards (FRS) for the first time during the third financial quarter ended 30 September 2005 and the related accounting policy is as follows :-

FRS 5 : Non-current assets held for sale

Non-current assets are classified as assets held for sale and are measured at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

Classification as assets 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 are 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.

- c) early adoption of the following new FRS for the first time during the fourth financial quarter ended 31 December 2005 and the related accounting policies are as follows :-

I. FRS 140 : Investment Property

Investment properties are measured at fair value and gains or losses arising from changes in fair value of investment properties are included in the income statements in the year in which they arise. The adoption of FRS 140 does not give rise to any adjustments to the opening balances of retained profits of the prior or current year.

II. FRS 3 (revised) : Business Combinations, FRS 136 (revised) : Impairment of Assets and FRS 138 : Intangible Assets

The adoption of the above standards has resulted in the Group ceasing annual goodwill amortisation and commenced testing for impairment at the cash-generating unit level annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 January 2005.

The useful lives of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Until the end of last year, intangible assets were considered to have a finite useful life with a rebuttable presumption that life would not exceed twenty years from the date when the asset was available for use. In accordance with FRS 138, some of the intangible assets are regarded 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 adjustments to the opening balances of retained profits of the prior or current year.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2004 was not qualified.

3. Comments About Seasonal or Cyclical Factors

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

4. Unusual Items Due to their Nature, Size or Incidence

There was no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial year other than the following :

	Year Ended 31-12-05 RM'000	Year Ended 31-12-04 RM'000
Impairment losses arising from revaluation of properties	33	-
Contractual obligations	1,828	-
Net gain on disposal of investments	-	(108,930)
	<u>1,861</u>	<u>(108,930)</u>

These have arisen primarily from a revaluation of the Group's properties by professional valuation firms and rationalisation of the Group's businesses, assets and contractual obligations.

5. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter.

6. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial year other than as mentioned below :-

(a) During the current financial year, the paid-up share capital of the Company was increased from RM196,698,439 to RM239,288,318 as a result of the issuance of 42,589,879 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 per share, respectively.

(b) The number of warrants outstanding as at 31 December 2005 was 6,511,684. 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 of RM1.19 per share. The warrants will expire on 24 January 2007.

7. Dividends Paid

Dividends paid on 13 May 2005 were declared on 5 April 2005, in respect of the year ended 31 December 2004 being first & final dividend of 4 sen less 28% taxation per share, on 238,102,190 ordinary shares, amounted to RM6,857,346.

Dividends paid on 30 September 2005 were declared on 25 August 2005, in respect of the year ended 31 December 2005 being interim dividend of 3 sen less 28% taxation per share, on 239,279,918 ordinary shares, amounted to RM5,168,442.

8. Segmental Information

RM 'million	Year Ended 31-Dec-05		Year Ended 31-Dec-04	
	Revenue	Operating profit	Revenue	Operating profit/(loss)
Malaysia	240.5	28.7	157.3	15.7
Singapore	145.6	3.3	105.5	(1.2)
Consolidated Total	386.1	32.0	262.8	14.5
	3 months ended 31-Dec-05		3 months ended 31-Dec-04	
RM 'million	Revenue	Operating profit	Revenue	Operating profit/(loss)
Malaysia	62.4	10.5	54.3	4.6
Singapore	39.7	2.9	35.9	(0.8)
Consolidated Total	102.1	13.4	90.2	3.8

9. Carrying Amount of Revalued Assets

In compliance with MASB 15 on Property, Plant and Equipment, a revaluation exercise was carried out on 24 August 2005 by the following professional valuation firms :-

- i) KGV-Lambert Smith Hampton
- ii) Rahim & Co

using the comparison method to reflect its fair value.

The market value of the properties revalued amounted to RM4.2 million.

In addition, two of the properties revalued with a market value of RM1.2 million have been identified for sale and an active program have been initiated to identify buyers and complete the sale within the next 12 months.

Arising from this exercise, a revaluation surplus of RM595,954 net of tax was credited to equity while an impairment loss of RM32,673 was recognised in the income statement. This has resulted in an increase in the net assets per share of the Group by 0.2 sen.

10. Subsequent Events

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

11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter other than the acquisition by the Company of 415,900 ordinary shares of KFC Holdings (Malaysia) Bhd ("KFCH") between 14 April 2005 to 19 May 2005 representing 0.21% of the issued and paid-up share capital of KFCH for a total purchase consideration of RM1,554,839. Following the acquisition, the Company's shareholding in KFCH has increased from 32.62% to 32.83%.

12. Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets since the last audited balance sheet as at 31 December 2004.

13. **Capital Commitments**

There were no material capital commitments.

14. **Performance Review**

The Group recorded a revenue of RM386.1 million for the current financial year, representing an increase of 46.9% over prior year's RM262.8 million.

The Group recorded a profit before taxation (excluding the exceptional items in the company and its associates) of RM72.4 million as against previous year's profit of RM25.6 million, a jump of 182.8%. Including the exceptional items in the company and its associates, the Group recorded a profit before taxation of RM31.7 million in the current financial year against corresponding year's profit of RM140.9 million.

The profit improvement was primarily attributed to :-

- a) The Group's strategy of restaurant expansion in Malaysia, of which 17 new stores have been opened in the year to-date. In addition Image Enhancement (IE) of existing stores have improved throughput and contributions;
- b) Introduction of innovative new products and effective promotional campaigns such as Cheesy Lava 3, Pesto Meatballs and Mystical Moroccan Pizza have brought in better sales and margins; and
- c) Its Singapore operations had also registered significant turnaround in profitability as a consequence of effective marketing and operational efficiencies. The operational loss of RM1.7 million for the first half of the year was cancelled by the operating profit of RM5.0 million for the second half of the year.

Excluding the exceptional items, its associate, KFCH, turned in a much improved performance resulting from improved turnover and profitability at the KFC Malaysia and Singapore restaurant segment and better performance of the integrated poultry segment from operational efficiencies and lower commodity costs. Initiatives implemented under the Strategic Roadmap have yielded positive results and contributed to the strong performance of KFCH. KFCH contributed to a pre-tax profit excluding exceptional items of RM40.3 million in the current year as against prior year's contribution of RM14.9 million.

As evident in note 26, the strong performance of the Group and its subsidiaries in the recent two quarters, have improved basic earnings per share excluding exceptional items to 22.21 sen from 11.17 sen, an improvement of 98.8%.

15. **Comment on Material Change in Profit Before Taxation**

The Group registered a profit before taxation of RM26.5 million in the current quarter as against profit before taxation of RM20.3 million in the previous quarter. Earnings per share improved to 7.8 sen in the current quarter from 6.7 sen in the previous quarter.

Operating profit of RM13.4 million was up 15.9% in the current quarter as compared to the previous quarter. Excluding the exceptional items, earnings per share increased to 8.3 sen in the current quarter from 7.6 sen in the previous quarter.

The improved profitability in the current quarter as against previous quarter were attributed to better sales throughput from effective marketing and promotion campaigns and the successful turnaround of its Singapore business. The Group's results were further enhanced by better contribution from its associate in the current quarter as mentioned in note 14 above.

16. Commentary on Prospects

The country is expected to achieve a fourth quarter economic growth of 5.8% with a full year 2005 growth of 5.3%. Current year growth is projected to exceed 5%.

In Singapore, advance economic growth estimates for the fourth quarter 2005 suggested a growth of 7.7%, bringing the full year 2005 growth to 5.7%.

Inflation rate of 3% in Malaysia for 2005 was the highest in recent years and electricity tariffs and petrol prices are expected to rise this year. Thus interest rates are projected to rise further to rein in these inflationary pressures, which may dampen consumer spending and business sentiment.

The Group is conscious of the challenges posed by inflation and will take measures to introduce more layered product offering that focusses on value for consumers. At the same time, we are ensuring that cost efficiencies are built into our procurement process.

To sustain our growth momentum, the Group will continue to execute the Strategic Roadmap and implement a Business Plan for 2006 through to 2008. The Group's marketing efforts will be towards strengthening our position in our core consumer segment and to build brand relevancy in other segments. The Group will also aggressively pursue its store development and image enhancement programs to ensure that our stores continue to be attractive and convenient for customers.

With respect to avian influenza, the Group will ensure that there is strict bio-security and co-operation with the authorities in its "Farm to Plate" integrated poultry business. We will continue to build on Government led measures to reinforce trust and awareness in the safety and integrity of our products.

Based on the foregoing, the Board is cautiously optimistic of achieving better performance for the year 2006.

17. Profit Forecast or Profit Guarantee

Not applicable.

18. Taxation

	Current Quarter RM'000	Current Year-To-Date RM'000
Tax expense for the year :		
Malaysian income tax	4,176	9,660
Foreign tax	-	-
	<u>4,176</u>	<u>9,660</u>
Deferred tax	1,104	1,104
	<u>5,280</u>	<u>10,764</u>
Tax expense of prior years	(1,186)	(1,186)
Share of taxation of associates	4,611	11,896
	<u>8,705</u>	<u>21,474</u>

The effective tax rate for the Group for the current year is higher than the statutory tax rate in view of the absence of tax loss relief for losses of some subsidiaries and the disallowance of certain expenses for tax purposes.

19. Sale of Unquoted Investments and Properties

There were no sales of unquoted investments and properties other than the sale of a property which resulted in a gain on disposal of RM27,000.

20. Marketable Securities

There were no purchases or disposals of marketable securities during the current financial year.

21. Corporate Proposals

On 30 December 2005, the Company announced to 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 QSR to raise funds for repayment and prepayment of bank borrowings, capital expenditure and working capital.

The proposed private placement is pending approvals from the following :-

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

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 (5) 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.

22. Borrowings and Debt Securities

Short term borrowings :

Unsecured - Term Loan (SGD3,200,000)

RM'000

7,336

Long term borrowings :

Unsecured - Term Loan (SGD9,600,000)

Secured - Term Loan

22,008

126,367

148,375

The Singapore currency denominated term loan is repayable semi-annually over a period of 3 to 5 years commencing from the second quarter of year 2004.

The other term loan 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.

23. Off Balance Sheet Financial Statements

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

24. Material Litigation

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

25. Dividend Payable

The Board of Directors has recommended a final dividend of 4 sen (2004 - 4 sen) less tax of 28% per ordinary share in respect of the financial year ended 31 December 2005, subject to approval by the shareholders at the forthcoming Annual General Meeting. The date of the Annual General Meeting and dividend entitlement date will be announced at a later date.

The Company had on 25 August 2005 declared an interim dividend of 3 sen less tax of 28% and subject to the shareholders' approval for the final dividend, the total dividend declared by the Company for the financial year ended 31 December 2005 would represent 7 sen (2004 - 4 sen) less tax of 28% per ordinary share.

26. Earnings Per Share

	Current Year Quarter 31/12/2005	Prior Year Quarter 31/12/2004	Current Year- To-Date 31/12/2005	Prior Year- To-Date 31/12/2004
i) Earnings				
Net profit for the year (RM'000)	17,804	12,024	10,224	132,224
Weighted average number of shares				
a) Basic				
Weighted average number of ordinary shares in issue ('000)	229,206	151,128	229,206	151,128
b) Diluted earnings per share				
Weighted average number of ordinary shares in issue ('000)	229,206	151,128	229,206	151,128
Adjustment for assumed exercised of warrants ('000)	4,062	21,003	4,062	21,003
Adjusted weighted average number of ordinary shares ('000)	233,268	172,131	233,268	172,131
Basic earnings per share (sen)	7.8	8.0	4.5	87.5
Diluted earnings per share (sen)	7.6	7.0	4.4	76.8
ii) Earnings excluding exceptional items :				
Net profit for the year (RM'000)	17,804	12,024	10,224	132,224
Exceptional items (RM'000)	-	-	1,861	(108,930)
	17,804	12,024	12,085	23,294
Share of exceptional items of associates (RM'000)	1,272	(5,236)	38,812	(6,407)
Net profit before exceptional items for the year (RM'000)	19,076	6,788	50,897	16,887
Basic earnings per share (sen)	8.3	4.5	22.2	11.2

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 February 2006.

By Order of the Board
QSR BRANDS BHD

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TAN SRI DATO' NIK IBRAHIM KAMIL
CHAIRMAN

Date : 21 February 2006