

KFC HOLDINGS (MALAYSIA) BHD (65787-1)

**QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST FINANCIAL QUARTER ENDED
31 MARCH 2008**

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		1/1/2008 - 31/3/2008 RM'000	1/1/2007 31/3/2007 RM'000	1/1/2008 - 31/3/2008 RM'000	1/1/2007 - 31/3/2007 RM'000
Revenue	A8	495,598	402,757	495,598	402,757
Operating expenses		(455,912)	(368,087)	(455,912)	(368,087)
Other operating income		2,290	2,952	2,290	2,952
Profit from operations		41,976	37,622	41,976	37,622
Finance costs		(1,869)	(4,666)	(1,869)	(4,666)
Profit before tax	A8	40,107	32,956	40,107	32,956
Income tax expense		(11,300)	(9,900)	(11,300)	(9,900)
Profit for the period		28,807	23,056	28,807	23,056
Attributable to :					
Equity holders of the Company		28,288	22,728	28,288	22,728
Minority interests		519	328	519	328
		28,807	23,056	28,807	23,056
Earnings per share (sen) :					
(a) Basic		14.27	11.46	14.27	11.46
(b) Fully diluted		-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements)

KFC HOLDINGS (MALAYSIA) BHD (65787-1)
CONDENSED CONSOLIDATED BALANCE SHEETS

	AS AT END OF CURRENT QUARTER 31/3/2008 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31/12/2007 (AUDITED) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	532,509	529,658
Investment Property	2,000	2,000
Prepaid land lease payments	64,462	63,941
Goodwill on consolidation	43,399	42,762
Intangible assets	26,380	25,301
Other investment - unquoted	4,500	4,500
Fixed deposits	6,324	6,324
	<u>679,574</u>	<u>674,486</u>
Current assets		
Inventories	124,640	112,312
Trade and other receivables	85,153	78,972
Cash and bank balances	142,125	140,358
	<u>351,918</u>	<u>331,642</u>
TOTAL ASSETS	<u>1,031,492</u>	<u>1,006,128</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	198,275	198,275
Other reserves		
<i>Share premium</i>	18,736	18,736
<i>Capital reserve</i>	1,790	1,790
<i>Exchange fluctuation reserve</i>	498	497
<i>Revaluation reserve</i>	29,408	29,940
Retained earnings	381,603	352,783
	<u>630,310</u>	<u>602,021</u>
Minority interests	9,347	6,920
Total equity	<u>639,657</u>	<u>608,941</u>
Non-current liabilities		
Retirement benefit obligations	3,854	3,758
Borrowings	103,186	110,907
Deferred tax liabilities	25,055	25,036
	<u>132,095</u>	<u>139,701</u>
Current liabilities		
Borrowings	21,638	12,080
Trade and other payables	235,507	242,110
Current tax payable	2,595	3,296
	<u>259,740</u>	<u>257,486</u>
Total liabilities	<u>391,835</u>	<u>397,187</u>
TOTAL EQUITY AND LIABILITIES	<u>1,031,492</u>	<u>1,006,128</u>
Net assets per share (RM)	3.18	3.04

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	-----Attributable to equity holders of the Company ----->							Minority Interests	Total Equity
	<-----Non-Distributable ----->				Distributable				
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Total RM'000		
At 1 January 2008	198,275	18,736	1,790	497	29,940	352,783	602,021	6,920	608,941
Profit for the period	-	-	-	-	-	28,288	28,288	519	28,807
Transfer to retained earnings on disposal of property, plant and equipment	-	-	-	-	(532)	532	-	-	-
Acquisition of minority interest	-	-	-	-	-	-	-	1,908	1,908
Translation differences	-	-	-	1	-	-	1	-	1
At 31 March 2008	<u>198,275</u>	<u>18,736</u>	<u>1,790</u>	<u>498</u>	<u>29,408</u>	<u>381,603</u>	<u>630,310</u>	<u>9,347</u>	<u>639,657</u>
At 1 January 2007	198,275	18,736	1,790	382	29,269	280,024	528,476	5,865	534,341
Profit for the period	-	-	-	-	-	22,728	22,728	328	23,056
Translation differences	-	-	-	(47)	-	-	(47)	-	(47)
At 31 March 2007	<u>198,275</u>	<u>18,736</u>	<u>1,790</u>	<u>335</u>	<u>29,269</u>	<u>302,752</u>	<u>551,157</u>	<u>6,193</u>	<u>557,350</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements)

KFC HOLDINGS (MALAYSIA) BHD (65787-1)
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	CURRENT QUARTER AS AT 31/3/2008 RM'000	PRIOR YEAR QUARTER AS AT 31/3/2007 RM'000
Operating activities		
Profit before tax	40,107	32,956
Adjustments for :		
Interest expense	1,869	4,666
Non-cash items	15,202	14,629
Operating profit before working capital changes	<u>57,178</u>	<u>52,251</u>
Changes in working capital :		
Net change in current assets	(12,132)	(10,034)
Net change in current liabilities	(8,833)	(12,523)
Cash generated from operations	<u>36,213</u>	<u>29,694</u>
Interest paid	(1,869)	(4,666)
Taxes paid	(11,982)	(13,596)
Net cash generated from operating activities	<u>22,362</u>	<u>11,432</u>
Investing activities		
Equity investments	(1,351)	-
Other investments	(18,172)	(14,936)
Net cash used in investing activities	<u>(19,523)</u>	<u>(14,936)</u>
Financing activities		
Bank borrowings	(1,072)	(31,541)
Net cash used in financing activities	<u>(1,072)</u>	<u>(31,541)</u>
Net change in cash and cash equivalents	1,767	(35,045)
Cash and cash equivalents at beginning of period	140,358	149,237
Cash and cash equivalents at end of period	<u>142,125</u>	<u>114,192</u>
The cash and cash equivalents consist of the following:-		
<i>Deposits with financial institutions</i>	78,653	79,818
<i>Cash and bank balances</i>	63,472	34,374
	<u>142,125</u>	<u>114,192</u>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements)

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 estimate 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.

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	Revenue	Operating Profit
<u>Malaysia</u>				
KFC restaurants	295.2	31.7	237.5	25.3
Integrated Poultry	97.4	2.4	75.2	3.4
Ancillary	22.7	2.1	18.4	1.2
	<u>415.3</u>	<u>36.2</u>	<u>331.1</u>	<u>29.9</u>
<u>Foreign</u>				
KFC Singapore	76.9	3.6	68.7	2.8
KFC Brunei	3.4	0.3	3.0	0.3
	<u>80.3</u>	<u>3.9</u>	<u>71.7</u>	<u>3.1</u>
Consolidated Total	<u>495.6</u>	<u>40.1</u>	<u>402.8</u>	<u>33.0</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

On 22 April 2008, the Company via its subsidiary, Ayamas Food Corporation Sdn Bhd, acquired the entire issued and paid-up share capital of Semangat Juara Sdn Bhd comprising 2 ordinary shares of RM1.00 each for a total cash consideration of RM2.00.

A11. Changes in the Composition of the Group

On 31 October 2007, the Company announced the acquisition of 440,000 ordinary shares of RM1.00 each representing 55% equity interest in Tepak Marketing Sdn Bhd ("Tepak Marketing") for a cash consideration of RM2,970,000 or RM6.75 per share ("Acquisition").

The Foreign Investment Committee had on 22 January 2008 approved the Acquisition subject to Tepak Marketing maintaining at all times at least 30% of its equity with Bumiputra/Government Agency.

The Acquisition was completed on 4 February 2008.

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	9,417
- approved but not contracted for	110,650
	<u>120,067</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 achieved a revenue of RM495.6 million for the current quarter, representing a growth of 23.0% over prior year corresponding quarter of RM402.8 million. The KFC Restaurants segment registered a 21.4% revenue growth to RM375.5 million (2007 : RM309.2 million) while the Integrated Poultry segment recorded a 29.5% revenue growth to RM97.4 million (2007 : RM75.2 million).

It registered a profit before tax of RM40.1 million in the current quarter as against previous year's corresponding period of RM33.0 million.

Revenue

The Group's revenue for the period under review improved primarily from its continuing strategy of network expansion and its effective KFC Marketing programs. The growth in the integrated poultry segment was attributed to better sales to the KFC restaurants and improvement in its export and local open market sales.

Profitability

(a) KFC Restaurants Segment

The restaurant segment profit growth of 25.4% to RM35.6 million (2007 : RM28.4 million) was primarily attributed to :-

Malaysia Operations

- (i) continuing network expansion where 8 new restaurants were opened during the period under review and 34 outlets were added to the network since April 2007 ;
- (ii) the introduction of innovative new products such as Triple XL Burger, Breakfast menu and effective marketing promotion such as the KFC 400th store celebration set meals ; and
- (iii) the introduction of new sales channel such as breakfast and extension of operating hours of certain outlets to 24 hours.

The better profit from the improved sales was however partly negated by the increased cost of raw materials such as potato-based products, cooking oil, flour and poultry products during the period under review.

Singapore Operations

The effective promotional campaign such as the Real Taste campaign and the introduction of new product such as the Golden Fiesta Bucket Meals drove sales and transactions at the restaurants .

Its revenue and profitability were also boosted by the net addition of 8 outlets to the network since April 2007.

(b) Integrated Poultry Segment

Despite improved sales to the KFC restaurants and better sales of its Ayamas products to both the local open market and export sector, this segment registered a decline in profitability to RM2.4 million in the current quarter from prior year's corresponding quarter of RM3.4 million.

This was primarily attributed to the increasing cost of commodities such as corn, soyabean meal and palm oil which resulted in higher cost of internally produced poultry products. Its profitability was also dampened by the higher cost of its ingredients and packaging materials in its production units.

B2. Material Changes in the Quarterly Results

The Group's revenue increased by 0.5% to RM495.6 million for the current quarter as against RM493.3 million in the previous quarter. However, profit before tax decreased by 11.3% to RM40.1 million for the current quarter from RM45.2 million in the previous quarter. As a result, earnings per share decreased from 15.99 sen in the previous quarter to 14.27 sen in the current quarter.

The lower profit in the current quarter was attributed to lower turnover from its KFC restaurant business and higher cost of imported commodities which increased its production cost.

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

The Company had on 24 May 2006 announced its 2006 - 2008 Business Plan & Key Performance Indicators ("KPIs") which, inter-alia, are as follows :-

<u>KPIs</u>	<u>Target</u>
Revenue growth	5% per year
EBITDA margin	15% (within 36 months)
EPS growth	10% per year
Dividend payout	25% of net profit each year

Based on current trend and barring unforeseen circumstances, the Board is confident that the above KPIs are achievable.

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	10,344
Foreign tax	937
	<hr/>
	11,281
Deferred tax	19
	<hr/>
	<u>11,300</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 during the financial period under review. However there was a sale of property during the period which resulted in a gain on disposal of RM499,439.

B8. Quoted Securities

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

B9. Status of Uncompleted Corporate Announcements

1. The Company had on 2 November 2007 announced the purchase of a piece of freehold land measuring approximately 41,294.90 square feet identified as Parcel C9 being part of land previously held under Lot 413, Mukim of Tebrau, District of Johor Bahru, via its wholly owned subsidiary company, KFC (Peninsular Malaysia) Sdn Bhd for a cash consideration of RM3,241,648.

The Company is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement.

2. The Company 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 RM6,150,000.

The Company is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement with Sindora Berhad, a member of Johor Corporation Group of Companies.

B10. Borrowings and Debt Securities

		As at 31 March 2008
		RM'000
Short term borrowings:-		
Secured	- Term Loan I (SGD4,250,000)	9,934
	- Term Loan III	10,000
	- Term Loans IV	586

		20,520
Unsecured	- Term Loan II	1,118

		21,638
		=====
Long term borrowings:-		
Secured	- Term Loan I (SGD2,550,000)	5,961
	- Term Loans III	50,000
	- Term Loans IV	2,225

		58,186
Unsecured	- Term Loan II	45,000

		103,186
		=====

- (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 RM16.66 million cash deposit.
- (b) The unsecured Term Loans II have the following repayment terms:-
- RM19 million is repayable quarterly over a period of 4 years commencing from the first quarter of year 2005.
 - RM45 million is repayable in the second quarter of year 2009.
- (c) The secured Term Loans III 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.
- (d) The secured Term Loans IV 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.

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

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

B14. Earnings Per Share

	CURRENT QUARTER	
	2008	2007
Profit attributable to equity holders of the Company (RM'000)	28,288	22,728
Weighted average number of ordinary shares in issue ('000)	198,275	198,275
Basic earnings per share (sen)	<u>14.27</u>	<u>11.46</u>

There was no dilution in its earnings per share as there were no dilutive ordinary shares outstanding as at the end of the reporting period.

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\$)	0.4213	0.4209	0.4545	0.4571
Brunei Darussalam (B\$)	2.3380	2.3250	2.3040	2.3100
Singapore (S\$)	2.3375	2.3245	2.3035	2.3095

By Order of the Board
KFC HOLDINGS (MALAYSIA) BHD

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

Date: 21 May 2008